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# **China Report**

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**No. 3, 1 February 1981**

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# CHINA REPORT

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No. 3, 1 February 1981

Translation of the semimonthly theoretical journal of the Central Committee of the Chinese Communist Party published in Beijing.

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## ACTIVELY DEVELOP A DIVERSIFIED ECONOMY IN THE COUNTRYSIDE

Beijing RED FLAG in Chinese No 3, 1 Feb 81 pp 2-8

[Article by contributing commentator]

[Text] In carrying out our socialist construction, we must correctly understand our national conditions. The most basic condition is that 800 million of our population of 1 billion people are peasants. We must not allow the principles, policies and measures concerning our country's socialist construction to be divorced from our national conditions. If we want to successfully carry out the four modernizations and thus to make our country prosperous and strong, we must in the first place achieve great development in agricultural production and produce more agricultural products, so that the 800 million peasants can gradually become well off. Only thus can we lay a reliable foundation for developing the entire national economy and improving the livelihood of the whole people. If agriculture is not boosted and if the livelihood of the peasants always remains at the present level, then altering our country's situation of poverty and backwardness will be out of the question, to say nothing of achieving the magnificent aim of the four modernizations. The development of agriculture requires the support and coordination of industry, transport and communications, finance and trade, culture and education, science and technology, and other sectors. However, the most essential requirement is to fully mobilize the enthusiasm of the 800 million peasants and to tap the potentials of agriculture in various ways. Considering the question of developing agriculture, we must be aware of our country's unfavorable conditions, such as the large size of our population, the lack of cultivated land and the frequent occurrence of natural disasters. We must also be aware of our country's favorable conditions, such as the vastness of our territory, the richness of our natural and labor resources, and the great number of production possibilities. Because of these objective conditions, in developing our country's agriculture, we must vigorously develop a diversified economy in the countryside in addition to firmly grasping grain production.

### Correctly Handle the Relationship Between Grain Production and a Diversified Economy

Our population of a billion people must have grain to eat. "If man can be likened to iron, rice can be likened to steel." To be adequately fed is the people's minimum livelihood need. If this need is not satisfied, it will be difficult to

maintain even the simple reproduction of the labor force, and all other things will be out of the question. Therefore, in developing agriculture, we must pay great attention to increasing grain output. At present, our country's grain output has not attained a satisfactory level, but the population will continue to increase. If we do not firmly grasp the boosting of grain output, we will be making a grave mistake.

Grain is of primary importance in agricultural production. However, primary importance is not tantamount to sole importance. While vigorously boosting grain output, we must also actively develop a diversified economy in the countryside. We must correctly handle the relationship between grain production and a diversified economy. In particular, we must insure an adequate cultivated area for grain production and endeavor to raise the grain output per unit area and the total grain output. Under the premise of doing a good job of farmland capital construction, we must, in a planned way, discontinue cultivation on those steep slopes, infertile land, floodland and shoal land which are not suitable for growing grain, and use such land for their former occupations of animal husbandry, forestry or fishery, or for the growing of other suitable cash crops. In this way, we can develop both grain production and a diversified economy. However, it would be absolutely wrong to arbitrarily divert any farmland from grain production to other occupations in a manner that affects the boosting of grain output. If people do not have an adequate grain ration, all undertakings will be unsuccessful and, of course, a diversified economy cannot be developed. Therefore, boosting grain output is the prerequisite for developing a diversified economy. However, to merely pay close attention to boosting grain output and to slacken efforts to develop necessary and possible diversified occupations will not only be detrimental to the healthy development of agriculture, but will also be very unfavorable to the current readjustment and the future development of the national economy.

1. If forestry and animal husbandry are not boosted, the fertility of land will fall continually, soil erosion will become increasingly serious and the ecological balance will be disrupted to an increasingly serious extent. The basic condition for developing grain production will then vanish. Many agronomists have stated that in our country, because of the damage done to forests and grassy slopes, over 5 billion tons of soil are carried into the sea every year, and this soil contains around 40 million tons of nitrogenous, phosphate and potash fertilizers, an amount which exceeds the total amount of chemical fertilizers applied in our country annually. The 80,000 or more reservoirs built throughout the country since the founding of the People's Republic have a total capacity of 400 billion cubic meters. However, the deposit of silt, caused by soil erosion, has reduced this total capacity by a quarter. This grave loss owing to soil erosion shows that we should not just pay close attention only to grain production in agriculture. We must develop a diversified economy. In particular, we must pay attention to developing forestry and animal husbandry, so as to increase land fertility and improve the ecological balance. This is a necessary condition for making our country's grain cropland give a high and stable yield. In addition, the development of animal husbandry can help effect a gradual improvement in the people's diet and strengthen the people's constitutions.

2. If the communes and production teams cannot develop a diversified economy, it will be very difficult for the peasants to become well off and the sources of funds for developing agriculture will be inadequate. In that case, not only will it be impossible to boost grain output, the market for industrial products will be restricted. Over a long period of time, the peasants' income has been very low because diversification in the countryside has been slackened. In 1979, the members of 39 percent of the production teams received a per capita average income of less than 60 yuan from the collective. How much money could then be set aside for developing agriculture and purchasing industrial products? Last year, many localities of our country were hit by natural disasters to an extent rarely seen over the past few decades. However, many communes and production teams were not seriously affected by the disasters; on the contrary, the income of their members increased. An important reason for this was that a diversified economy had been developed.

3. If a diversified economy is not developed in the countryside, light industry cannot be boosted, because over two-thirds of the raw materials for light industry come from the agricultural sector. The majority of these raw materials come from diversified agricultural occupations, in particular from cash crops. Because the diversified occupations in our countryside have been unable to satisfy the needs of the development of the light and textile industries, in 1978 alone we had to import nearly 10 million dan of cotton, 580 million jin of animal fats and vegetable oils, and 1.24 million tons of sugar.

4. If a diversified economy is not developed in the countryside, it will be impossible to solve the problem of employment there and the rich and varied natural resources will not be fully exploited. The labor force in our countryside amounts to 300 million people, each of whom is responsible for an average of only around 6 mu of farmland. With the natural growth of our country's rural population and the developments in transforming agricultural technology, the potential of the rural labor force will increase continually. Therefore, to step up the developing of a diversified economy in the countryside will not only pose no obstacle to satisfying the demand of the grain production sector for labor, but will be an inevitable trend in fully exploiting the rich labor resources and natural resources in the countryside.

5. Without developing a diversified economy in the countryside, we cannot increase the supply of agricultural products and related byproducts. The market as well as prices of goods will be affected.

Therefore, as a leading comrade of the party Central Committee has said: There are two principles in grasping agriculture: it is of utmost importance to firmly grasp the boosting of grain output, and we must definitely not slacken the development of a diversified economy.

We are against allowing the development of a diversified economy to displace the boosting of grain output, and also against giving up diversification in order to concentrate our attention on boosting grain output alone. What we want is to let the boosting of grain output and the development of a diversified economy promote each other. If we work carefully and vigorously, if our planning is

appropriate, and if we satisfactorily grasp the boosting of grain output in the first place and also simultaneously actively develop a diversified economy, there will not be a situation of one displacing the other or a difficulty of coexistence. Instead, each will have a role to play and each will supplement the other

In this readjustment period, capital construction and heavy industry must definitely be cut back. If diversified agricultural occupations are not developed, if the textile and light industries are not boosted, if market supply does not increase, or if even grain output itself does not expand, then our country's economy will not be enlivened.

#### Let Farmland, Soil, Hills, Mountains and Water Be Fully Exploited

To develop a diversified economy in the countryside, we must clearly understand two concepts. First, we must not confuse diversified occupations with cash crops. Second, we must distinguish between the cash crops which must be grown on farmland normally used for grain production and the cash crops which are not grown on such farmland. If we do not clearly understand these two concepts, if we think that diversification is merely the growing of cash crops and that to grow cash crops we must invariably use farmland which was originally used for grain production, then our initiative in developing a diversified economy will be hampered.

Actually, numerous diversified occupations can be developed and numerous kinds of natural resources can be exploited in the countryside. Examples of diversified occupations include the growing of crops, aquatic breeding, handicrafts, forestry in cultivated areas, the gathering of natural resources, transportation, commerce and service trades, and so on. Each of these occupations contains many items. (See notes at the end of this article.) As for natural resources, farmland, soil, hills, mountains and water are very valuable and should be fully exploited in developing a diversified economy.

The cash crops that truly need cultivated land are mainly cotton, vegetables, sugar crops and the four oil crops of soybeans, peanuts, rape and sesame. The first method of resolving the contradiction between these cash crops and grain crops in the use of cultivated land is to allocate the area of cultivated land rationally. Under the prerequisite of insuring grain production, we must insure the allocation of cultivated land to these crops according to their needs. If some cultivated land is suitable for growing cash crops and not suitable for growing grain crops, and if it has been a longstanding tradition for a locality to grow cash crops on such land, then such land should not be forcibly diverted to the growing of grain crops. Land from which there is now a stable grain output and which is not suitable for growing cash crops should also not be arbitrarily diverted to other uses. The second method of resolving the contradiction between cash crops and grain crops is to endeavor to raise the yield per unit area of grain and these cash crops.

It should be explained here that even in the growing of crops, many cash crops do not occupy any farmland at all, such as ramie, a fiber plant, and oil-tea



camellia, the tung oil tree and the castor oil plant, which are oil crops, and so on. Other occupations that do not occupy farmland are even more numerous. Some of them have even no connection with the soil, such as handicrafts, aquatic breeding, the gathering of natural resources, transport and communications, commerce and service trades and so on. Beekeeping requires airspace and fish culture needs water; they do not occupy any cultivated land.

It must also be explained that although a hill, mountain, a body of water as well as certain types of poor soil are not suitable for growing grain, each of them has its ingenious uses and can be fully exploited. Of course, if we open up hills and mountains, transform the soil, reclaim land from lakes and ponds and so on, we can turn some hills, mountains, soil and water into farmland for growing grain. However, this is a complicated problem, because such projects require huge investments and involve considerations of ecological balance and so on. Before conditions for such transformation are ripe, our responsibility is to fully use these natural resources which have not been exploited over the past hundreds and thousands of years, so that they can contribute their own forces to our socialist construction.

A basic characteristic of agricultural production is its reliance on the role of natural forces. Marx said: "In agriculture, right from the beginning, the assistance of the natural forces--the use and opening up of the spontaneously functioning natural forces--to raise man's productivity, has occurred on a large scale." ("Collected Works of Marx and Engels," Vol 26-I, p 22) He also said that in agriculture "the question is not one of the social productivity of labor alone, but involves the natural productivity of labor, which is determined by the natural conditions of labor. It may happen that in agriculture, an increase in the social productivity can just compensate for or is even insufficient for offsetting a decrease in the natural forces." ("Collected Works of Marx and Engels," Vol 25, p 864)

Why should we firmly grasp grain production with utmost efforts and definitely not slacken diversification in agriculture? The aim is simply to fully exploit and open up the potential natural and labor resources in the vast countryside. Our country has a large population and a vast territory, but our cultivated land is inadequate. Actively developing a diversified economy in conjunction with insuring a gradual increase in grain output will make use of our strength and circumvent our shortcomings, that is, it will bring our major superiority--the size of our land and population--into play and circumvent our weakness--lack of cultivated land. This involves the question of applying both economic laws and natural laws, as well as the question of raising both social productivity and natural productivity in agriculture.

To accelerate our country's agricultural development, we must vigorously work on our limited cultivated land as well as on our vast territory. The cultivated area in the whole country amounts to less than 2 mu per person, but the land area amounts to nearly 15 mu per person. In the whole country, the ratio of uncultivated land to cultivated land is about 8:1. It would be a pity to firmly grasp that "1" alone and pay little attention to that "8." Of course, it is impossible to utilize all that "8." However, if we vigorously exploit our land and are

good at opening it up, if we develop a diversified economy, then even if merely one-eighth of the currently unused land is utilized, the natural forces mentioned by Marx will certainly vigorously "assist" us in our socialist construction and yield a vast quantity of material wealth for our country's people. Let us step up the utilization of previously unused land from one-eighth to two-eighths and then three-eighths over several decades!

When talking about their local conditions in agricultural production, many comrades often emphasize what is called "70 percent mountainous land, 20 percent water, 10 percent farmland," or just say that each person can be allotted an average of 1 mu of cultivated land. They always feel that cultivated land is inadequate and conditions are poor, and describe the hills, mountains and water of their localities as "burdens" and as "barren mountains and unruly waters." This narrow view reflects an underdeveloped commodity economy and a backward science and technology. Actually, larger tracts of mountainous or hilly land and water certainly make possible a larger number of occupations. By vigorously opening up these resources, the localities concerned can turn "burdens" into wealth and relatively quickly become prosperous.

#### Necessary Support and Specific Guidance Must Be Given

Although diversification in our countryside has enjoyed a certain degree of development since the Third Plenary Session of the 11th CCP Central Committee, judging from the objective possibilities and the urgency of the people's needs, this development is quite inadequate and the stage of development is extremely backward. There are various reasons for this.

The first reason is the grave, harmful effects of "left" errors. In the past, developing a diversified economy was unjustly vilified as developing capitalism. And there was "blocking of the capitalist road" and "cutting off the appendage of capitalism." How could diversification avoid being smothered in the face of such blocking and cutting off!

Second, many localities blindly and one-sidedly emphasized "taking grain as the key link." Excessive state purchases of grain seriously affected the development of diversified occupations, some of which were even ruined by a single purchase.

Third, the emphasis on a self-sufficient and closed natural economy resulted in a restriction of the social division of labor and the production of commodities, and a consequent restriction of diversified occupations.

Lastly, many of our leading comrades have not paid adequate attention to, have not adequately studied and lack good knowledge of diversification. The departments concerned also have not formulated comprehensive and rational plans for such links as production, processing and marketing for the diversified occupations in the countryside, plans which involve such things as planned distribution, state purchase prices and policies concerning rewards. Thus, the cadres of the communes and production teams have not been helped to enhance their knowledge, to try by all means to open up new occupations, and thus to achieve adequate development in diversification.

In the future, in developing a diversified economy in the countryside, we must remember the lessons of these historical experiences.

To develop a diversified economy, we should pay attention to the development of small towns. With the development of a diversified economy, economic life in the countryside and the material and cultural life of the peasants will become more vigorous. In accordance with this situation, the small towns, which will be the political, economic and cultural centers of the countryside, must develop appropriately. Most of the products of the diversified occupations in the countryside will be offered to the market as commodities. Only in the small towns nearby will the large numbers of peasants be able to sell their own products, purchase industrial products made in the cities, as well as acquire scientific knowledge and participate in cultural and recreational activities. Therefore, we should enable the small towns to become the centers for the collection and distribution of products from the countryside, centers for the exchange of commodities between the towns and the countryside, centers for the processing of agricultural products for which production in dispersed localities is appropriate, and bases from which advanced science and culture are transmitted to the countryside. It is inadequate to rely on large or medium-sized towns alone. Without the small towns, the countryside will lack means of communication and distribution, and diversification in the countryside as well as in the entire rural economy and culture will not take the path of rapid development.

How should the small towns be built? The key method is to go all out to develop the collectives' economy, give them a free hand in assuming sole responsibility for their own profits and losses, and let the livelihood and remuneration of their workers surpass those of the workers of the enterprises owned by the whole people, on the basis of developing production. In the development of collective economies in the towns, capital can be raised to organize companies, or seven or eight people can join together to establish a small enterprise, the persons in charge of which can be called managers and assistant managers. We must not merely establish state-run units or collective units run by official bodies, because investment funds are inadequate. We must have collectives really run by the local people. Capital may be raised from the inhabitants of the towns or from the commune members of neighboring villages. The collectives can also be jointly run by various collective-economy units of the towns and rural areas, or by the state-run economy and the collective economy. These rich and varied forms of organization are forms of the socialist economy and not of capitalism. Moreover, handicraft workshops, small family-run shops and other individual economic units should also be permitted to exist as a complement. At present, the collective enterprises in some towns, known as neighborhood industries, are such in form and name only. They offer little attraction and people are rather unwilling to deal with them.

To accelerate the development of diversified occupations in the countryside, we must not stop at issuing a general call. We must provide suitable support and specific guidance. Otherwise, much is said but little is done and adequate progress will not be achieved over the years.

First, investment must be given suitable support.

We now want to implement further the principle of economic readjustment and to firmly restrict capital construction investment. In the future, we must continue to solve a series of problems involving ideology, principles, policies, measures, discipline and so on and strive to achieve the greatest economic results with the minimum of investment. In considering the direction and results of investment, we must conscientiously sum up historical experiences. Take, for example, agricultural investment. Over a long period of time in the past, grain was taken as the key link and little attention was paid to diversification. Agricultural investment was mainly concentrated on irrigation projects. Such investment probably totaled hundreds of billions of yuan if the egalitarian and indiscriminate transfer of the living labor and materialized labor of the peasants is included. Of course, the achievements were not small. However, in many localities, great waste was caused by blind direction. Because we cannot concentrate on one single occupation in developing the rural economy, we must also not concentrate on only one thing in agricultural investment. In the future, in our planning, we might consider allocating an appropriate portion of our agricultural investment funds, in particular by drawing upon the investment funds for irrigation projects, to support the development of diversified occupations in the countryside in the form of appropriations or loans. In drawing up annual budgets for agricultural loans, we might increase the proportion of assistance to diversified occupations and take this as an important area of agricultural investment. This will probably result in more rapid gains. When a diversified economy is developed, the rural collective economies will have larger amounts of capital funds, which can then be used for various agricultural capital construction projects that correspond to real needs, so as to promote agricultural development.

Some diversified occupations can produce obvious results in a year, e.g., the growing of cotton, sugar crops, oil crops, jute and tobacco. Other occupations require a certain amount of investment and can produce obvious results only after several years, e.g., the growing of tea, oranges and tangerines, silkworm mulberry trees, aquatic products and so on. Some communes and production teams wish to develop these latter categories of diversified occupations but lack the resources, or they might even be unwilling to undertake these occupations. In such a situation the state must, early on, provide them with capital funds and other necessary and possible aid.

Second, specific guidance must be provided.

1. The outlook on diversified occupations of rural cadres and commune members must be broadened, and they must diligently study the possibilities for diversified occupations. In Lingling Prefecture, Hunan, the cadres found reports in the press of a miraculous plant called yangtao and did not know what it was. Later they obtained the plant and inspected it, and found that in fact it grew profusely on the local hills. Various localities, even the counties, communes and production teams, must launch general surveys, step by step, on plants, animals, minerals and soil and thus get a clear understanding of local resources. They must clearly know what types of diversified occupations had been undertaken in local history, what occupations are currently being undertaken, how large was or what is their past and current output, whether the current output has attained



past levels, and what new occupations can be gradually opened up in the light of local conditions. In sum, they must have quantitative knowledge of their own resources, and must not "be ignorant of the dried meat hanging in their own homes."

2. Guidance on market forecasts must be provided. A large proportion of the products of diversified occupations are commodities. Therefore, making scientific market forecasts and broadening the market are important to the future development of diversified occupations. Without market forecasts and without specialized agencies to study these matters, the providing of relevant specific guidance to the communes and production teams will be out of the question, and diversified occupations in the countryside will be undertaken blindly. Without market forecasts and the providing of opportune notices and guidance to the communes and production teams, the undertaking of diversified occupations will be governed by prevailing conditions of demand and supply, and certain occupations might be simultaneously started or abandoned by a large number of production units, resulting in economic losses. The products of diversified occupations are mainly marketed domestically, but we must strive to expand their overseas markets. Therefore, we must also do a good job in forecasting international market trends. For example, there is a glut of peppermint products on the international market; it would be disadvantageous for us to blindly expand the growing and processing of peppermint.

3. Scientific and technological guidance must be provided in such areas as planting, gathering, processing, packaging, storing and transporting. Examples are guidance on improving product varieties, the prevention and control of plant diseases and elimination of pests, the popularization of advanced machinery and equipment and methods of cultivation and operation, the running of training courses for specialized personnel and so on.

4. Guidance on management must be given, for example, on establishing a vigorous financial system and labor management system, strengthening economic accounting, lowering production costs and so on.

#### We Must Formulate and Implement a Series of Correct Policies

1. We must persist in having the diversified occupations mainly run by the communes and production teams or jointly run by a number of them, so that the development of diversification will be conducive to strengthening and expanding the rural collective economy and consolidating the rural base of socialism. At the same time, not only should we not reject the development of the domestic sideline occupations of commune members or the growing of crops in their own private plots, but instead should encourage and support them. In some localities, private plots can be slightly expanded. In others, commune members should be allocated private plots of hilly land, or their plots on such land should be enlarged. Factual evidence has proved that when the rural communes and production teams undertake diversified occupations, a reliable way of enabling the peasants to become well off quickly is to let the collective play the principal role and let the collective and the individuals advance side by side. Consider the Ouqiao [2962 2890] production brigade of Shazhou County, Jiangsu Province.

Before 1976, the average income of each commune member was only 80 to 90 yuan. Some 50 percent of the peasants in the production brigade drew their wages in advance, and at any time there were more than 100 laborers working outside the production brigade in order to earn additional income. Over the past few years, the party branch of the production brigade has initiated the development of diversified occupations in addition to the vigorous grasping of the production of grain and cotton. It has vigorously initiated the development of collective industries and sideline occupations, and has actively helped the commune members to operate family sideline occupations satisfactorily. A gratifying scene of prosperity for both the collective and the individual has appeared. The per-capita average income of the commune members has increased from 310 yuan in 1979 to over 450 yuan in 1980, an increase of 50 percent a year! In addition, the commune members' average income from family sideline occupations exceeds 200 yuan per family. In 1980, the production brigade had a stock of fixed assets valued at 3.2 million yuan, collective accumulation funds totaling 800,000 yuan and collective grain reserves amounting to 520,000 jin. It is predicted that 2 or 3 years later, the net per-capita income of this production brigade will reach or even exceed \$1,000. If there are a number of communes and production teams like this in our country's rural areas, people's confidence in achieving the aim of making ours a "comparatively well off society" at the end of this century will be greatly enhanced.

2. We must practice a system of job responsibility in which specialists or specialized units fulfill contracts and wages are calculated on the basis of joint production. According to different conditions, diversified occupations may be undertaken by specialized groups or by individual commune members according to specific contracts. In 1980, Shandong enjoyed a bumper harvest of cotton. The output reached 10.7 million dan, an increase of 7.37 million dan over that of 1979, or more than double. The reason was that having specialists fulfill contracts and calculating wages on the basis of joint production played a very important role. To have specialists or specialized units fulfill contracts is a policy embodying distribution according to work done, as well as a policy concerning management and concerning the training of qualified personnel in the countryside. If we stick to this policy, experts will appear in every facet of production in the future. We propose popularizing the method of submitting bids in implementing this system of job responsibility, so as to carry forward democracy in production and to prevent corrupt practices among a minority of people who do little work but earn high incomes.

3. We must persist in implementing the principle of suiting activities to local conditions. Different localities have different conditions. In developing a diversified economy, their key occupations and sequence of steps should also differ. They must never all develop the same few popular occupations or adopt a simplistic view of what should be developed. Each locality has its own traditional local special products, and attention must, in the first place, be paid to restoring and developing the production of such products. Each locality should undertake the occupations appropriate to its local natural conditions, whether they be forestry, animal husbandry or fishery. In this way, forestry, animal husbandry and fishery can develop more quickly and in greater concentration in localities with the right conditions. Moreover, active support must be given

to bringing forestry, animal husbandry and fishery into the farming areas, so that cattle and sheep are herded on grassy slopes or grassland, fish and shrimp are bred in irrigation canals and ditches, ponds and water are trapped by weirs, and trees and other plants are grown around houses and beside roads and water. In developing forestry, aside from paying attention to afforesting whole tracts of land in mountainous regions or forest areas, we must not neglect the planting of trees or afforestation at dispersed spots. If every peasant family grows 20 to 30 trees step by step, then to a certain extent the problems of cooking and obtaining timber for various uses will be solved. This will be greatly advantageous to closing hillsides for the sake of afforestation.

4. We must strengthen and pay great attention to the conservation of forests and various kinds of natural resources. State laws and orders must be rigorously observed in gathering activities, fishing and hunting. We must resolutely stop the prevailing practices of cutting down trees, gathering resources and trapping animals indiscriminately. Trees, forests, valuable wild animals and plants as well as aquatic resources must be protected, so that their reproduction and development can be promoted.

5. It is necessary to provide support in connection with the means of production, such as supplying fertilizers, fodder and materials, importing good varieties, cultivating saplings, supplying fish fry, manufacturing and supplying machinery and equipment applicable to diversified occupations, and so on.

6. A series of policies affecting the realm of circulation must keep pace with development in other areas.

In commerce, we must be able to purchase and sell the products of rural diversified occupations. "Determining output on the basis of sales" constitutes progress over "determining sales on the basis of output." However, selling is a continually changing process. Determining the output on the basis of sales is a tactical and not a strategic act. It can be likened to meeting an attack passively, not launching an attack actively. We should not passively determine output on the basis of sales. We must actively open up markets! Of course, we must not negate the proposition of determining output on the basis of sales. However, we must not view it as something absolute and invariable. If we want to open up new markets, our products must be cheap and of good quality, and the principle of aiming for small profits but quick turnover must be implemented in the links of production, processing and marketing.

In pricing policy, we must insure adequate profitability for the producers and promote stability in market prices.

In the field of transport and communications, we must increase the speed and volume of transport, insure quality and freshness, build some cold storage warehouses, vehicles and vessels, try our best to prevent serious losses owing to overstocking and damage, safeguard the producers' enthusiasm, and satisfy the consumers' needs.

In the field of taxation policies, we must decide on appropriate taxable items and tax rates, and apply appropriate tax exemptions or concession policies to

certain items in their early stages of development. The endeavors of communes, production teams and localities in setting up enterprises for processing certain products, such as tobacco, cotton and wool, must be restricted by taxation, so that the social waste caused by small undertakings displacing large-scale undertakings and backward units displacing advanced units can be avoided.

In the field of industrial and commercial administration and management, producers must be allowed to transport and sell their own products and competition must be safeguarded. Speculation and profiteering must be attacked and banned. Ordinary economic offenders must be punished by economic means, such as fines and so on. Transport of goods over long distances for marketing should be regulated by taxation. Collectives and individuals that seek exorbitant profits must be heavily taxed. To achieve this, we must perfect economic laws and regulations such as tax laws, increase the number of tax revenue personnel and economic judicial personnel, as well as raise their professional standard.

We must rely on the enthusiasm of the 800 million peasants, develop diversified occupations further in addition to firmly grasping grain production, enable our country's farmland, hills and mountains, soil, water and other natural resources to be fully and rationally exploited, and enable the countryside to become a prosperous place where economic development is vigorous and the people are well off. Practice proves that actively developing a diversified economy in addition to firmly grasping grain production is the only way to make our country's rural economy prosperous and our peasants well off.

#### NOTES

1. The growing of crops. This can be classified into growing the following categories: 1) grain, including rice, wheat, barley and so on, legumes, corn, kaoliang, potato and yam; 2) fiber plants, including cotton, hemp and flax; 3) oil crops, including soybean, rape, peanut, sesame, linseed, castor oil and oil-tea camellia; 4) sugar crops, including sugarcane, sugarbeet and sugar kaoliang; 5) fruits, including orange and tangerine, apple, pear, peach, apricot, date, grape and subtropical fruits such as lychee, longan, banana and pineapple; 6) vegetables; 7) beverage crops, including tea, coffee, cocoa, honeysuckle, and plum (for making sweet-sour plum juice); 8) medicinal crops, including ginseng, membranous milk vetch, peppermint, Chinese angelica and so on; 9) spice crops and flowers for decoration, including sweet-scented osmanthus, magnolia, jasmine, rose, Chinese rose, peony, narcissus, orchid and chrysanthemum; 10) melons and gourds, including watermelon, muskmelon and hami melon.

2. Breeding occupations: 1) animals bred for their meat; 2) animals bred for their milk; 3) animals bred for their eggs; 4) animals bred for their fur; 5) draught animals; 6) aquatic animals; 7) animals of medicinal value, such as tortoise and snakes; 8) special animals, such as roe deer and deer; 9) animals for appreciation, such as panda, red-billed leiothrix, thrush, goldfish and tropical fish; 10) animals that remove pests, such as cat, woodpecker and pteromalid.



3. Handicrafts: 1) weaving; 2) embroidery; 3) brewing; 4) forging, casting of pans, work of blacksmith, and gold and silver ornaments; 5) earthenware and porcelainware; 6) furniture; 7) packaging equipment and articles; 8) carving (stone carving, ivory carving and engraving of seals); 9) the four treasures of the study: xuan paper, huizhou inkstick, duanxi ink-slab and huzhou writing brush; 10) other handicrafts.

4. Forestry in farming areas: 1) woody plants that yield food: Chinese chestnut, cassava and so on; 2) woody plants that yield oils: oil-tea camellia, chestnut, olive, tung oil tree, oil palm, coconut and so on; 3) trees that yield resins or rubber: rosin, rubber, varnish tree and so on; 4) trees of medicinal value: eucommia, dragon's blood, catechu, chaulmoogra, Chinese cinnamon, and so on; 5) trees for conserving and beautifying the environment: magnolia, kapok, cottonrose hibiscus, fir, willow and so on; 6) trees for burning; 7) trees that yield timber: spruce, pine and so on; 8) flowers, fruits, trees and other plants of economic value: apple, pear, tangerine and orange, lychee, sweet-scented osmanthus, Chinese prickly ash, Chinese torreyia and so on; 9) various shrubs: sand-fixation bush, chaste tree, and so on; 10) bamboo, rattan and so on.

5. Gathering of resources: 1) gathering of minerals: the mining of various metal and nonmetal minerals, panning, the mining of precious stones, marble, white marble and so on; 2) forest products: fuel wood and straw, edible fungus, mushroom and so on; 3) aquatic products: fish, shrimp, freshwater mussel, clam, finless eel, soft-shelled turtle, crab and so on; 4) wild economic crops: spices, flower, vegetables, starch-yielding plants and so on; 5) wild animals of economic value: fox, lynx, weasel, pangolin, masked civet and so on; 6) wild birds of economic value: wild duck, wild goose and so on; 7) insects of economic value: tussah and so on; 8) wild medicinal living organisms: centipede, scorpion, snakes, licorice, ginseng, Chinese ephedra, elevated gastrodia and so on; 9) feathers and animal hair: feathers of ducks, geese and chickens, wool, camel hair and so on; 10) animal skins and bones.

6. Transport and communications: 1) building highways, maintenance of roads, building bridges; 2) building and repairing of river channels; 3) wharves, warehouses; 4) loading and unloading; 5) water transport: by junk, motor junk, small steamship, wooden raft; 6) transport by manpower: rickshaw, one-wheeled cart, rickshaw, shoulder pole; 7) transport by using animal power: cart, caravan; 8) transport by machine power: motor-tricycle, motor car, tractor; 9) arrangement of telephone and telegraph services; 10) arrangement of postal services.

7. Commerce and service trades: 1) joint commercial undertakings for marketing goods, agents for purchases and selling, selling and transporting goods on one's own; 2) catering; 3) health and sanitation: barber shops, bathing parlors, street cleaning, laundries and so on; 4) repairing; 5) tourism: inns, tourist guide services and so on; 6) medicine: extraction of teeth, insertion of artificial teeth, treatment for hemorrhoids, acupuncture, massage, Chinese massage, Chinese medicinal herbs, clinics, hospitals, medical care and other medical services and so on; 7) consigning for transportation, keeping of baggage, renting, consultation and so on; 8) processing: sewing and so on; 9) cultural services: bookshops, libraries, book-renting shops, art designing, advertisements and so on; 10) recreation: movies, theaters, tea houses, storytelling and so on.

**REDUCE THE SCALE OF CAPITAL CONSTRUCTION AND TRY TO GAIN THE INITIATIVE IN ECONOMIC WORK**

Beijing RED FLAG in Chinese No 3, 1 Feb 81 pp 9-13

[Article by Lin Senmu [2651 2773 2606] and Zhou Shulian [0719 0647 6647]]

[Text] Whether the Scale of Capital Construction Is Adequate or Not Determines the Stability or Instability of the Economy

Comrade Chen Yun said in 1957: "The scale of capital construction must fit in with the financial and material resources of a nation. Its suitability determines the stability or instability of the economy. In a nation as big as ours, with its population of 600 million people, economic stability is of extreme importance. If the scale of construction exceeds the capacity of the financial and material resources of the nation, adventurism and economic confusion will result. If the two suit each other, then there will be economic stability." Actual experience has testified to the extreme correctness of Comrade Chen's words. Since 1958, our country's economy has met with several disasters. The chief cause was that the scale of capital construction was too large and the direction of investments irrational, and this disrupted the balance of the entire national economy. For example, in 1958 steel was taken as the "key link." And capital construction investments increased by 12.3 billion yuan over that of the preceding year. This was an increase of nearly 100 percent. More than 1,500 large and medium-sized construction projects were added, an increase of over 70 percent. The 3 years of the "Great Leap Forward" caused a serious imbalance in the components of the national economy and made readjustment mandatory. In 1962, the capital construction investments had to be scaled down to only one-fourth of those in 1958. Again, in 1970, "war preparation" was taken as the key link, as a result of which more than 300 large and medium-sized construction projects were added and the capital construction investments that year increased by 11 billion yuan over that of the preceding year, an increase of 59 percent. This situation of excessive capital construction was allowed to continue without being readjusted in a timely manner. Moreover, in the first 2 years after the crushing of the "gang of four," we pursued the policy of another "big and swift step forward" and the scale of capital construction continued to be expanded blindly. In 1978, capital construction investments again increased by over 11 billion yuan compared with 1977, an increase of 31.6 percent, and the number of large and medium-sized capital construction projects was increased by nearly 300. This further aggravated the state of imbalance in the national economy. An excessively large

capital construction program, which surpasses the capacity of the state to provide the necessary financial and material resources, produces serious and adverse effects not only on capital construction itself, but also on production and consumption in general.

First, the scale of accumulation might become too high and a financial deficit might result. The source of funds for capital construction is mainly accumulation from the national income. Under the socialist system, accumulation comes mainly from apportionments from the national treasury. If the capital construction investments are too large, the rate of accumulation will become too high and might even cause financial disbursements to surpass financial receipts, thus bringing about a budget deficit. In 1958, because the scale of capital construction investments was too large, the accumulation rate in our country's finance had to be raised from 24.9 percent in the preceding year to 33.9 percent. In the state budget, capital construction disbursements were correspondingly raised from 40.7 percent of the total financial disbursements to 56 percent, and in 1959, from 43.8 percent to 54.7 percent. This caused a succession of financial deficits each year from 1958 to 1960. Beginning from 1970, the scale of construction was again badly inflated, which made the accumulation rate under the Fourth Five-Year Plan reach 33 percent on average and the proportion of capital construction reach an average of 40.2 percent of the financial disbursements under the state budget. From 1974 to 1976, there was again a succession of fiscal deficits. In 1978, the scale of capital construction went up again and once more the accumulation rate was raised to 36.5 percent, and the ratio of capital construction investments (including foreign exchange loans contracted by the state for payment of imported equipment) was 40.7 percent of the total financial disbursements. This caused rather large financial deficits in the years 1979 and 1980.

Second, large losses and waste might be incurred and investment results might become poor. If the scale of construction is too large and huge investments are required, then the objective potential of the projects might be exceeded and the construction projects might not be able to procure on time the required funds, equipment, materials and technology. For example, in 1980, the available quantity of steel products for capital construction could meet only 85 percent of the planned investment needs, the quantity of cement available for distribution among the capital construction projects was only some 60 percent of the actual need, while the available supply of timber could fulfill only 66 percent of the actual requirements. As a result, the time required for construction had to be lengthened, the construction cost was increased and the completion date of the projects under construction was lowered. From 1958 to 1979, our total capital construction investments amounted to 590 billion yuan, but the fixed assets completed amounted to 400 billion yuan. Hence the completion rate of the projects under construction was 68 percent. It is true that not all capital construction projects can eventually become completed fixed assets, but 68 percent was a rather low figure. It was also low compared with some of our better performances in the past. In our First Five-Year Plan period the completion rate of projects under construction reached 83.7 percent. On this basis, it would seem that roughly 100 billion yuan of the capital construction investments were lost. At the same time, even though some of the projects had been completed, some of them could not

enter into regular production or could not assert their full productive capacity because of the lack or shortage of raw materials, fuels or motive power, or because the accessory equipment was still wanting or uncompleted.

Third, simple reproduction might be badly impaired or even disrupted. The scale of capital construction is related to simple reproduction and expanded reproduction. Since capital construction must consume large quantities of funds, material resources and manpower, if it is too large it will naturally occupy much of the raw materials, equipment, and motive power normally required for production and maintenance or renovation. In this way, not only will expanded reproduction be badly affected, but simple reproduction will also be impaired and be unable to be sustained.

Fourth, improvement of the people's standard of living might be affected. If the scale of capital construction is too large, it will lower the investment results and raise the accumulation rate. This will naturally affect the improvement of the people's livelihood. Over the past 20 years, the growth rate of our national product has not been low and yet the people's standard of living has not been correspondingly improved. The average per-capita consumption of our rural and urban residents was 103 yuan in 1960, an increase of 1 yuan over that of 1957; in 1965, it was 125 yuan, an increase of 22 yuan over that of 1960, averaging an increase of 4 percent annually; in 1976, it was 161 yuan, an increase of 36 yuan over that of 1965, averaging an annual increase of slightly over 2 percent. But, owing to the rise in commodity prices, during the two periods 1957 to 1960 and 1965 to 1976, the actual level of consumption of the populace was lowered. After the crushing of the "gang of four," the party and the government adopted a series of measures to increase the income of the urban and rural residents and to improve and raise the living standard of the people. This produced good effects in stabilizing the economy. However, because, on the one hand, the consumption level of the urban and rural population was raised and, on the other, the excessive scale of capital construction was not reduced, the sum of accumulation and consumption surpassed the national income and caused an imbalance in fiscal receipts and disbursements. It became necessary to put more banknotes into circulation, which in turn caused commodity prices to rise.

From the above, it can be seen that to reduce the scale of capital construction is of paramount importance in the current readjustment of the national economy. It is also the key to maintaining economic stability and to changing our economic work from being influenced to gaining the initiative.

**An Excessive Scale of Capital Construction Is the Natural Product of "Leftist" Erroneous Guiding Thought**

Why was it that the scale of our country's capital construction was more times than once inflated? The causes were many, but the principal one was the "leftist" guiding thought in economic work.

Over a rather prolonged period, the guiding thought in our country's socialist construction was a kind of "crash course" ideology. It sought unrealistically to catch up with or even surpass economically the developed capitalist states



within a short period of time. It aimed at achieving quick results and was blindly pursuing high speed. Under the guidance of this kind of thought, subjective initiative was emphasized one-sidedly, the blind observance of one's will and wishes was followed, and objective economic laws were violated. In particular, the basic socialist economic laws and the laws governing the planned and balanced development of the national economy were violated. The regulating role of balanced development over speed was discarded and priority was given to development of heavy industry and to taking steel as the "key factor." The accumulation rate was raised blindly by reducing the people's consumption. In formulating plans, emphasis was laid first and foremost on the speedy increase of production, to insure the achievement of which the scale of capital construction was enlarged excessively. In 1958, the decision to double steel output brought about the first vicious inflation of the scale of capital construction. In a similar manner, the inflated scale of capital construction after 1970 was owing to the high targets that were set. In May 1973, at a work conference of the central government, Comrade Zhou Enlai pointed out that, owing to the capital construction front being too long, the number of construction projects had to be reduced. However, owing to the difficulty of obtaining unanimous agreement, only 81 projects were dropped. In 1975 and 1976, efforts were again made to reduce the scale of capital construction, but on both occasions not a single project was canceled. The problem here did not lie in capital construction itself. Basically, the production targets had been set too high and, to fulfill such high targets, a construction program on a correspondingly large scale had to be implemented. For example, the steel production target for 1985 was set at 60 million tons. As a result, a new steel production capacity of 4 million tons each year had to be built. Having determined the size of steel production, what follows is to build up the transport capacity as well as the production capacity of coke, motive-power coal, and electric power.

This "crash course" ideology developed into a sort of misdirected reverence, or superstition. Even though in practice this thought has been found to be erroneous and to have caused much damage and, therefore, needs to be rectified, this does not mean that its erroneous nature has been fully comprehended. The bad effects of the 3 years of the "Great Leap Forward" forced us to readjust the national economy in the 1960's, but even this did not give us a penetrating understanding of this "leftist" erroneous guiding thought, nor did we make any effort to summarily liquidate it. On the contrary, certain views were considered then to be "rightist" viewpoints, and a strong "antirightist" force took command. Thereafter, time and again the scale of construction was blindly expanded. It was true that during this period efforts were made to concentrate forces on protecting certain items and denigrating certain others, but under the macroscopic policy in force this sort of "leftist" error could not be overcome and it followed that this "war of annihilation" achieved no tangible results. After the crushing of the "gang of four," we still failed to obtain a clear understanding of this "leftist" guiding thought. As a result, in planning our economic work we still followed the practice of "get going and go all out." Only after the 3d Plenary Session of the 11th CCP Central Committee brought forth the guideline of readjusting the national economy did we gradually come to understand the danger of the "leftist" guiding thought to our economic work. But the "crash course" ideology still dominated the minds of many people. They were unwilling

to accept a realistic speed of development and would not forget the temptation of a high speed of development or a large scale of construction. They hesitated in the decision to discard the construction of certain large projects. Leading cadres of certain industrial departments strongly denied that their departments were on the "long end" and insisted that they were on the "short end" and, therefore, their scale of construction should be expanded. They even went so far as to outwardly stop certain projects but secretly keep them intact, or to outwardly stop work on projects but secretly continue the work. The practice of the "four-up's and four-down's" was in vogue, namely, when internal funds were "down," use of foreign funds would be "up"; when the fiscal budget was "down," use of loans would be "up"; when capital construction investment was "down," use of funds from technological measures would be "up"; and when direct appropriation from the state was "down," use of funds raised locally or by the departments themselves would be "up." Consequently, the scale of capital construction could not be reduced to a rational level.

For a rather prolonged period we have been blindly pursuing high speed. We have put speed in first place and let it take command. Naturally, speed is important and is an important manifestation of the results of macroeconomics. However, speed is not synonymous with results. High speed in the growth of the total output value is not equivalent to the achievement of the best results. On the other hand, a relatively slow speed is not equivalent to the achievement of relatively poor results. In the relationship between speed and result, the latter comes first and speed must be subservient to it. Economic results are the criteria of good or bad performances in economic work. Whether the speed is suitable must be measured by results. It is a logical premise that the speed of economic growth must be determined by the achievement of the best economic results. The basic economic law of socialism demands that the key consideration in formulating the budget is not the seeking of high targets, but rather the gradual improvement of the people's livelihood. We cannot disregard the people's livelihood for the sake of expanding the scale of capital construction and seeking a high speed of production.

Moreover, the scale of construction cannot be enlarged according to one's wishes; it is governed by objective conditions. Our country is a big country with a population of 1 billion people, of whom 800 million are peasants. This is the actual condition of the country and is the starting point for the consideration of any problem. Our available supply of financial power, material resources and manpower for capital construction is limited. The task of planning is first of all to comprehensively balance all factors, and then to confine the scale of construction within certain possible limits, and to insure the attainment of a suitable speed of economic development as well as the best economic results. Although the correct utilization of foreign capital and imported equipment from abroad might help in enlarging the scale of capital construction and accelerate economic development, the results are determined by many conditions, such as the country's ability to "digest" them and to provide locally the needed accessories and supplies. The utter disregard of the country's financial and economic conditions, the blind use of foreign capital and the introduction of foreign equipment not only cannot accelerate economic development, but eventually might prove to be a heavy burden.

Some comrades often express the fear that reducing the scale of capital construction might hamper the speedy development of production. This kind of concern is absolutely unnecessary. At present, our industrial and agricultural production already has a definite foundation. We now have more than 300,000 industrial enterprises in the country. Their production potential is fairly large. We should not blindly seek high speed and a high accumulation rate and should not blindly expand the scale of our capital construction. We should correctly handle the relationship between speed and result, between speed and proportionate development, between accumulation and consumption and between production and livelihood. We should let the current enterprises fully play their role as the bases for modernization. If we can follow the above, then, after having made this readjustment of the economy, we should be able to attain a definite speed of development and at the same time reap better economic results, thereby improving the people's livelihood more rapidly. During the readjustment period, the speed of development might be a little slow, but there will be better results, and, what is more important, the groundwork will have been laid for even speedier development in the future. In general, following this readjustment, we should be able not only to overcome the serious imbalance in the proportionate relationships but also thoroughly eradicate the influences of the "leftist" erroneous thought. We should truly start from reality, act according to our ability, be earnest and down-to-earth, and advance in a firm and orderly manner.

#### **We Should Reduce Capital Construction as Much as Possible and Rectify the Passive State of Economic Work**

At present, in implementing the eight-character policy of readjusting, restructuring, consolidating and improving, the key lies in tightly grasping readjustment work, while the central task in readjustment is to reduce the scale of capital construction and make capital construction recede sufficiently so that the financial and material resources of the state can bear the burden, so that finance, credit and loan and material resources can all achieve a state of equilibrium, and so that the disparity between market supply and demand and between foreign exchange receipts and outlays can be reduced to the minimum so as to stabilize the economy and commodity prices. Only in this way can we rectify the passive state of our economic work.

In order to insure the smooth accomplishment of the task of reducing the scale of capital construction, we should, while freeing ourselves from "leftist" ideologies, adopt the following important measures:

First of all, we should firmly put in order or liquidate certain projects currently under construction.

To achieve a reduction in capital construction to the fullest extent, we should continue to examine and liquidate the projects under construction and be firmly resolved to undertake this work. We should not only reduce the scale of investments for a single year, but should reduce the gross investment amount. If the gross investment amount is not changed and a change is made only in the investments for the current year, the result will be to further disperse the available resources, prolong the construction period and reduce the investment effects.

Therefore, in reducing the scale of capital construction at present, we should not be afraid of doing painful jobs. We must be firmly determined to stop a large number of projects currently under construction. The total investment amount for projects currently under construction and the total amount of capital construction investments for the current year should be a 5:1 ratio, or preferably 3:1, so that the construction period of the various projects averages around 3 to 5 years. In liquidating projects under construction, we should simultaneously put in order or liquidate the technological measures in force (such as those for tapping hidden potentials, for renovating or for restructuring). At the moment many of the latter measures in progress are actually new or expansion construction projects. Failure to check them carefully might result in missing the full objective of reducing the scale of capital construction.

Second, the direction of investments must be adjusted.

The excessively large scale of capital construction is closely related to our one-sided development of heavy industry, particularly the blind pursuit of high speed in steel production. For this reason, in reducing the scale of construction, we cannot treat all industries alike but should coordinate closely the reduction with the task of adjusting the direction of investments. We should reduce "long-line" projects. As for agriculture, light industry, energy resources, communications and other items such as science and technology, education, culture and public health, utmost efforts should be made to keep them going. How to readjust the direction of investment so as to make it rational is a rather complicated problem. It requires a comprehensive study of all phases of the national economy and of the proportionate relationships between the various departments and the internal proportionate relationships of such trades and industries as agriculture, industry, communication and transport, and post and telecommunications. Besides, the economy is in a continual process of development and the proportionate relationships do not always remain unchanged. Our task is to study penetratingly and continually to find out the most proper balances suitable for different conditions in different periods.

Third, planned control should be augmented.

Following the gradual restructuring of the economy, the sources of the supply of funds for capital construction have now increased. Under these new conditions, control of the state's capital construction should not become lax. Particularly during the readjustment period, capital construction must be highly centralized and the planned control over it must be augmented. It might also be necessary to resort to various types of administrative interventions in order to insure the correct implementation of the policies. In 1962, Comrade Chen Yun had the following to say concerning the readjustment work at that time: "What is meant by centralization and unification here is that, after having provided the localities and enterprises with the necessary mobile financial and material resources required, we should centralize and unify the forces." This, too, applies to the present conditions.

The central government should stipulate the scale of reproduction of fixed assets of the nation and of the various provinces, municipalities and regions, including



the scale of capital construction and the scale of the technological measures to be undertaken (measures concerning the tapping of hidden potentials, renovating and restructuring). It should plan and arrange for the various channels using capital construction funds, direct the flow of investment funds and stipulate investment limits for capital construction projects. The provinces, municipalities and regions should stipulate the scale of reproduction of the fixed assets of the prefectures and counties, and plan and make arrangements for the funds, materials, equipment and the work force required for local projects. All capital construction projects should be included in the capital construction plan. If technological items are found to correspond to the standard of large or medium-sized capital construction projects, they should be subject to control like all capital construction projects.

Fourth, a strict responsibility system should be instituted.

In order to solve the problem of the excessive scale of capital construction and the excessive length of the capital construction front, it is necessary to emphasize the institution of a responsibility system for the examination and approval of capital construction plans and projects. As for those persons guilty of violating laws and regulations, or of engaging in construction work not originally envisioned in the plans, or wantonly changing the contents of the plans or changing the construction benefits--those persons responsible for cases of a serious nature naturally should be subjected to fines or legal prosecution. Those persons who have wrongfully issued orders or made decisions resulting in enormous losses to the state should likewise be prosecuted.

All construction projects should be jointly examined and approved by the various levels of planning committees, capital construction committees, financial departments and the construction bank. Big items involving investments in excess of 1 billion yuan each, or related to the national economy and the people's livelihood, should be examined by the NPC. Beginning with the responsible personnel at the basic level up to the central leadership, nobody should be allowed to issue orders for construction projects without having first obtained the examination and approval of the relevant departments concerned. The opinions of experts should be carefully noted. The feasibility of every project should be studied, and there must be assurances that all the projects can achieve good economic results.

Fifth, we must carry out in an earnest and down-to-earth manner the followup tasks after projects have been stopped or suspended.

The staff members of the units concerned should receive their pay as usual. The units should establish schools and organize their staff members to study various subjects, such as business, technology, management, culture and politics. This will give them a good opportunity to help the workers and employees to improve their scientific and technological levels, their management and control level, and their level of political ideology and culture. This represents a sort of intellectual investment and should be duly stressed. This opportunity should be fully used. Units that have the required conditions should organize their staff members to open up production channels for increasing their income and

thus reduce subsidies from the state. The staff members may also be organized to take part in municipal construction work, such as tree planting and so on.

The leaders at various levels should pay important attention to performing the above tasks well. Higher-level departments in charge should make a thorough examination of all construction items which have been stopped or suspended. They should make a comprehensive plan and decide which items should be stopped altogether and which should be suspended temporarily. They should fully explain their decisions to the capital construction units and the building units concerned, so that the latter will know the details and can take the responsibility. The leading personnel in all projects affected should stick to their posts and prevent state property from being dismantled, taken away, pilfered, stolen or damaged.

CSO: 4004

## ADVANCE IN THE DIRECTION OF STRENGTHENING SOCIALIST DEMOCRACY AND THE LEGAL SYSTEM

Beijing RED FLAG in Chinese No 3, 1 Feb 81 pp 14-15

[Editorial]

[Text] The Special Court of the Supreme People's Court has openly pronounced the verdict on the 10 principal defendants in the case of the Lin Biao-Jiang Qing counterrevolutionary cliques after conducting court investigation, court debate and collegiate court assessment. Jiang Qing and Zhang Chunqiao were sentenced to death with 2 years' reprieve, while Yao Wenyuan, Wang Hongwen, Chen Boda, Huang Yongsheng, Wu Faxian, Li Zuopeng, Qiu Zuhui and Jiang Tengjiao were variously sentenced to life imprisonment or prison terms of various durations. This verdict upholds justice, greatly arouses the masses and vindicates the dignity of law. This is a great victory of the socialist legal system. Undoubtedly, this trial has great significance for strengthening socialist democracy and the legal system, for consolidating and developing the political situation of stability and unity, for consolidating the socialist system of the people's democratic dictatorship and for promoting the socialist four modernizations.

The case of the Lin Biao-Jiang Qing counterrevolutionary cliques is one of the most significant counterrevolutionary criminal cases since the founding of the People's Republic. The 10 principal defendants who were brought to trial and Lin Biao, Kang Sheng and others who have already died are a bunch of extremely ferocious counterrevolutionary criminals. The crimes that they committed by forming a counterrevolutionary alliance during the 10 years of upheaval brought immeasurable disaster to our country, to our nation and to our people. In order to usurp party and state power, these counterrevolutionary criminals made use of all kinds of tricks and hatched all kinds of conspiracies to frame and persecute party and state leaders and to plot the overthrow of the political power of the dictatorship of the proletariat and to persecute and suppress the broad masses of cadres and people. The Lin Biao counterrevolutionary clique plotted to assassinate Chairman Mao Zedong and stage a counterrevolutionary military coup d'etat. The Jiang Qing counterrevolutionary clique engineered the Shanghai armed insurrection. The crimes of these two cliques are uncountable. They are hated by everyone. If they had not been punished according to law, the people's fury could not have been appeased. These crimes were all tried by the court. Overwhelming material evidence and testimonies of witnesses showed that the defendants were guilty beyond any shadow of doubt. Most of the defendants also

admitted their guilt. Only Jiang Qing unreasonably denied and argued and Zhang Chunqiao kept a dead silence. But they too were not able to deny the facts of the crimes. According to the stipulations of the "criminal law of the People's Republic of China," these criminals committed the crimes of organizing and leading a counterrevolutionary clique, plotting to subvert the government, engineering an armed insurrection, murder and homicide with counterrevolutionary motives, fabricating false charges and framing, and engaging in counterrevolutionary propaganda and provocation. The court has sentenced them according to law and pronounced the corresponding penalties. This is an execution of the people's will. It complies with the people's wishes.

In its trial of the 10 principal culprits, the court consistently abided by the judicial principle of "basing oneself on facts and taking the law as the yardstick." It made a strict distinction between criminal offenses and political errors and, thus, is an exemplary model in trying cases according to law. In handling the case, emphasis was placed on evidence, investigation and research and not on testimonies. Charges filed against the defendants were strictly based on verified primary documentary materials and primary material evidence. During the process of the court investigation, all of the evidence was shown to the defendants. During the court debate, the defendants were allowed to defend themselves and present their version of events in accordance with facts and the law. Their lawyers were also allowed to present their defense in order to protect the defendants' legitimate rights. It was after repeated hearings and verification, listening to the defendants' and the defense lawyers' reasonable arguments, verifying the facts of the crimes, considering the seriousness of the circumstances of the crimes, the defendants' attitude in admitting their crimes and their different backgrounds, and conducting a collegiate court evaluation that the court arrived at its final verdict. Thus, the verdict was solidly built on objective facts. This guaranteed the solemnness and accuracy of the verdict. It will be able to stand the test of history. This verdict will be beneficial to correctly sentencing other defendants in the case of the Lin Biao-Jiang Qing counterrevolutionary cliques and to attacking, breaking up and demoralizing the remnant elements of these counterrevolutionary cliques in order to make more defendants admit their guilt, submit to legal sanctions and repent. This is compatible with the long-term interests of the people of the whole country. Such a verdict on the 10 principal defendants shows that our country is strong and confident.

This trial fully embodied the spirit of "all are equal before the law." Our laws were formulated and promulgated by the NPC on the basis of widely carrying out democracy. They represent the interests and will of the whole people and are the only yardstick in our efforts to maintain revolutionary order, construct socialism and struggle against unlawful and criminal acts. They possess the highest authority and are inviolable. Every citizen must strictly obey the law. Legal liability must be pinpointed on anyone who violates the law. There are no "special citizens." No one is allowed not to obey the law or submit to legal restraints. The recent trial of the 10 principal defendants of the Lin-Biao-Jiang counterrevolutionary cliques forcefully swept away the long-standing pernicious influence of feudalism and shattered the decadent idea of "penalties are not imposed on ministers." All 10 principal defendants occupied top



leadership positions in the party, government or army. During the trial, they were not given special consideration or protection because of their former high positions or previous merits. The court stood firmly on the ground of protecting the people's interests and pronounced the appropriate verdict in accordance with the law. This fully shows that our party is open and just and that it consistently takes the people's interests as the highest interest. The party demands that each party member, from party and state leaders down to ordinary party members, set a good example in obeying the law. No special privileges of being beyond the jurisdiction of law or being above the law are permissible.

The recent trial also fully shows the great power of socialist law. The victory of the trial of the Lin-Jiang counterrevolutionary cliques demonstrates that under our socialist system of the people's democratic dictatorship, the people can absolutely rely on the legal weapon in their hands to forcefully and accurately deal blows to and punish the handful of counterrevolutionary elements who sabotage or adopt a hostile attitude toward the socialist system, and other criminal elements, in order to protect the people's interests. If the crimes committed by a counterrevolutionary clique like Lin Biao, Jiang Qing and company who were sinister, ferocious, cunning and treacherous, who did all kinds of evil and wreaked havoc for as long as 10 years, can be completely uncovered and sternly punished, then we are even more confident that we shall be able to firmly deal blows to remnant forces of the Lin-Jiang counterrevolutionary cliques and other counterrevolutionary or criminal elements through the state machinery of the people's democratic dictatorship and the socialist legal system. We can surely say that through the open trial of the Lin-Jiang counterrevolutionary cliques we have educated the people to realize the importance of perfecting and upholding the legal system, acquired some experience in using the legal weapon to struggle against the enemy and opened a new page in our future implementation of the rule of law. We must continue to seriously sum up past experiences and lessons and firmly advance in the direction of strengthening socialist democracy and the legal system.

Our people, who have been through the 10 years of calamities, have been tempered and have become stronger and wiser in the long-term struggle against the Lin-Jiang counterrevolutionary cliques. The broad masses of people have learned from their painful experiences the extreme importance to our country of strengthening socialist democracy and the legal system and consolidating and developing the political situation of stability and unity. At present, doing a good job in economic readjustment work and plunging into the building of the four modernizations is the highest interest of our people and the central task of our party. The popular desire for the rule of law, for order and for stability has become an irresistible trend. However, class struggle and elements of instability still exist in our society. We must remain vigilant. In the new historical period of advancing toward the four modernizations, we must further reinforce the concept of the rule of law, consciously strengthen the building of socialist democracy and the legal system, constantly overcome the erroneous idea of taking socialist democracy and the legal system lightly and relentlessly struggle against various ideas which despise or sabotage socialist democracy and the legal system. Under the leadership of the party, we must use the legal weapon to firmly attack, break up and demoralize all antagonistic forces which

undermine stability and unity, to firmly attack, break up and demoralize the remnant forces of the Lin-Jiang counterrevolutionary cliques, to firmly attack, prevent and check all kinds of criminal activities, to maintain the political situation of stability and unity and to protect the masses' democratic rights, in order to bring into play the masses' enthusiasm, to work with one heart and one mind and to heighten our revolutionary spirit in building our country into a modern socialist power.

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**GRASP THE IDEOLOGICAL WEAPON AND STRENGTHEN PARTY BUILDING--STUDYING COMRADE ZHOU ENLAI'S IDEAS ON PARTY BUILDING**

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[Article by Chen Yeping [7115 6851 5393]]

[Text] The great Marxist and proletarian revolutionary Comrade Zhou Enlai made everlasting contributions to the party and the people's cause with his lifelong efforts and outstanding ability. Volume I of the "Selected Works of Zhou Enlai" not only records the party's glorious history during the period of the democratic revolution, but also reflects Comrade Zhou Enlai's great contributions to revolutionary practice and to the treasury of Marxist theory. These brilliant articles contain a series of ideas on party building which he formed by applying basic Marxist principles on party building and by profoundly summing up our historical experience in party building. These ideas have enriched Marx, Lenin and Comrade Mao Zedong's theories on party building and provided us with a powerful ideological weapon in strengthening party building.

**I**

Comrade Zhou Enlai had always attached great importance to the party's ideological construction. He closely integrated strengthening the party's ideological construction with correctly conducting inner-party ideological struggles, in order to insure ideological uniformity and organizational consolidation of the whole party in the struggle against nonproletarian ideas.

Comrade Zhou Enlai paid great attention to the influence on our party of the surrounding social environment. He constantly pointed out that, owing to the party's weak proletarian base and the fact that most party members came from the petit bourgeois class, all kinds of nonproletarian ideas would be constantly reflected in the party. If these ideas were not overcome, they would corrode the healthy body of the party and undermine the party's combat effectiveness. After the defeat of the first revolutionary civil war, in view of the opportunism and defeatist mood in the party, he suggested the criticism of opportunist ideas throughout the party; in view of Chen Duxiu's patriarchal style, he suggested opposing the feudal patriarchal system; during the period of cooperation with the KMT, he warned against the influence of the bourgeoisie. In particular, he was the one who repeatedly stressed "resolutely opposing petit bourgeois

consciousness" and absolutely forbidding petit bourgeois thinking to occupy a legitimate position in our proletarian party, in view of the existence of a great deal of petit bourgeois ideas inside the party at that time. He felt that overcoming petit bourgeois ideology with proletarian ideology was the guarantee for the party to advance along the road of Bolshevization. Comrade Zhou Enlai regarded opposing petit bourgeois ideology as an important task in strengthening the party's ideological construction. This was in line with the actual situation at that time. It had great guiding significance for doing a good job in the party's ideological construction. Numerous historical facts have shown that petit bourgeois ideas often emerge in the party and a great number of them exist. This ideology is sometimes manifested in the form of shortsightedness and conservatism, sometimes in the form of blind fanaticism and going to extremes--losing one's head when the situation is favorable and being dejected during times of difficulty and lacking the proletarian spirit of being resolute and seeking truth from facts. This is one important reason for the occurrence of this or that deviation in our party. We must oppose the influence of bourgeois and feudal ideologies on our party. We must also pay attention to overcoming various forms of petit bourgeois ideas in the party. In particular, we must eliminate petit bourgeois fanaticism. This is a constant task in strengthening the party's ideological construction.

Comrade Zhou Enlai used dialectical materialism to scientifically explain the dialectics of the party's development. He held that, in order to overcome all nonproletarian ideas inside the party with proletarian ideology, active ideological struggle must be waged inside the party. Through ideological struggle, correct ideas would be carried forward; erroneous ideas would be overcome; party unity would be strengthened and unity of will would prevail in the party. Comrade Mao Zedong told us: "Opposition and struggle between ideas of different kinds constantly occur within the party; this is a reflection within the party of contradictions between classes and between the new and the old in society. If there were no contradictions in the party and no ideological struggles to resolve them, the party's life would come to an end." ("On Contradiction") A politically mature party does not artificially create inner-party contradictions, nor does it evade or cover up inner-party contradictions. It must have a correct understanding of inner-party contradictions and wage struggles to resolve them.

In dealing with conflicts regarding differences of line and questions of principle, Comrade Zhou Enlai consistently advocated upholding principles to wage active ideological struggles and opposed adopting an attitude of glossing over faults and of perfunctoriness. He explicitly pointed out that "ideological and theoretical struggles are absolutely necessary" in the party, that this was "an important weapon to consolidate the party" and that our party had matured and grown in the midst of struggles to overcome all kinds of mistaken ideas and erroneous tendencies. In 1928, he pointed out in an article entitled "Resolutely Eliminate All Nonproletarian Ideas in the Party": "With regard to inner-party conflicts, we must oppose the method of glossing over faults and seeking perfunctory solutions. We must resolutely eliminate all nonproletarian ideas. Only thus can comrades of the whole party unite and struggle as one under the Bolshevik spirit." Time and again, he urged all party members to take up the Marxist weapon of criticism and



self-criticism and "wage principled and resolute struggles against all incorrect ideas--both one's own and those of others." They must never allow all kinds of nonproletarian ideas to freely thrive and spread in the party, nor allow them to undermine the party's cause and party work.

While advocating active ideological struggle, Comrade Zhou Enlai also opposed conducting excessive struggle inside the party. He reminded party comrades never to forget the painful historical lessons from the excessive struggles conducted in the party during the various periods of the "leftist" line and stressed that inner-party struggles must be conducted only with a realistic attitude and to an appropriate degree. He said that the main point in opposing opportunism was to criticize "opportunist concepts" and to eliminate the opportunist political and organizational line. Its purpose was to "make comrades of the whole party have a clear understanding so that the party's political line could be put on the right track." He sternly criticized "some comrades who concentrated on personal attacks, thus overlooking the criticism of opportunist ideas, as if opportunism could be eliminated with the elimination of certain individuals. Little did they know that opportunism has deeprooted origins. Opportunism certainly cannot be eliminated by eliminating some individuals." He pointed out in the article "On the Study of the Party's Sixth National Congress" and other articles that when waging ideological struggle inside the party, one should adopt the "spirit of systematic and skillful guidance and patient persuasion" and "calmly discuss problems" in order to clarify ideological questions and unite party comrades. He believed that inner-party struggles are principled struggles and not personal struggles. If one "seizes on an incident to exaggerate matters because of personal feelings" and "turns politics into struggles against individuals, struggles will become personal rivalries" and this will intensify inner-party conflicts and undermine party unity.

Correctly dealing with comrades who have committed errors is a basic principle in correctly conducting inner-party struggle. Comrade Zhou Enlai consistently believed that inner-party struggle between two lines was a kind of inner-party contradiction. Ideologically speaking, it originates from the struggle between two ideologies and two world outlooks. Those who believe that all struggle between two lines are contradictions between the enemy and ourselves and are life-and-death struggles do not conform to the objective characteristics of matter and to basic Marxist principles. We "should not adopt an attitude of rejection" toward those comrades who have committed errors in the line, including those who have committed serious mistakes, and those comrades who have shortcomings or who have committed errors in ideology and work style. We must "take an attitude of having confidence in them, while also vigorously doing ideological work on them." He asked all leaders to do a basic assessment on all comrades. "If he is trustworthy, then no matter how many mistakes he has made and what kind of shortcomings he has in ideology and work style, the party must still trust him and criticize his mistakes and rectify his work style while trusting him." We must not leave him alone and treat him coldly. "When it comes to people who have committed mistakes or violated discipline, we must primarily adopt the methods of persuasion and education. We should apply disciplinary rules only when it is unavoidable." These ideas of Comrade Zhou Enlai's fully demonstrate the broadmindedness and scientific attitude that a Marxist should possess in

inner-party struggle. We must conduct concrete historical analysis on all comrades who have committed errors, help them find out the objective and subjective causes of their errors, point out the facts and harmful effects of their mistakes and inspire them to heighten their consciousness and correct their mistakes. Giving timely education to comrades who have committed mistakes for them to know and correct their errors is a regular and important task in cadre work. Treating a comrade who has committed mistakes coldly and indiscriminately applying organizational rules is a manifestation of "leftist" thinking. Applying this thinking in dealing with other comrades will inevitably lead to bad feelings and increasing estrangement and this will undermine unity and affect our work. Naturally, on the part of the comrades who committed errors, there is a question of how to correctly deal with their own problems. "Those who have committed errors but are willing to correct their errors will naturally be able to come back to the fold of the party's correct line. Those who repeatedly commit mistakes but refuse to repent will naturally be abandoned by the party." Comrades who have committed errors must face their mistakes squarely, admit their mistakes, strive to correct their mistakes and do meritorious service to make up for their faults. Only thus will they have a common language with the party. If they refuse to admit or deliberately cover up their errors, they will not be able to win the party's trust and the masses' forgiveness.

## II

Using the Marxist historical materialist point of view, Comrade Zhou Enlai correctly expounded the decisive role of the masses in history and profoundly explained the flesh-and-blood relations between the proletarian party and the masses, making great contributions to the formation and development of our party's mass line.

Comrade Zhou Enlai looked upon the masses as the masters of history, fully affirming the masses' historical position and great role. At the time of the rise of the Chinese people's revolutionary movement against imperialism, feudalism and bureaucrat capitalism, he had already clearly pointed out that "the century of the people is born." "The Chinese people has awakened and has risen." They have already become the guiding force in the new period. Proceeding from this basic viewpoint, he penetratingly expounded on the correct relationship the Communist Party must have with the masses, explicitly pointing out that "the CCP sprang from the Chinese working people. It exists among the Chinese people" and "has flesh-and-blood ties with nearly 100 million masses in actual combat life." "The Chinese nation needs the CCP. The Chinese people need the CCP." "They need the Communist Party, which works for their particular class interest, to struggle for them, to act as their vanguard." Comrade Zhou Enlai repeatedly stressed: "Our party is a party of the masses." "The party is the people's vanguard. It has great vision, but it cannot be divorced from the masses." He also said: "The CCP has been serving the people throughout the past 26 years. It has relied on the people. That is why it enjoys high prestige today." Historical experiences have shown that a party which is divorced from the masses will surely decay and die. Historically, the basic reason why the party and rulers of the exploiting classes, including the KMT and Chiang Kai-shek, were despised by the people and ended up in failure was because they exploited and oppressed the people and adopted a stand in opposition to the people.

The decisive factor which made the CCP flourish and placed it in an invincible position was that it represented the masses, worked for the masses' interests and shared the masses' fate. Believing in the masses, relying on the masses, firmly taking the mass line and being responsible to the people in whatever we do--these are some of the most obvious distinguishing features which separate our party from other parties. This is also the fine tradition of the CCP. We must inherit the fine tradition and continue to carry it forward. This will be a major guarantee for us to win new victories.

When stressing maintaining close ties between the party and the masses, Comrade Zhou Enlai particularly emphasized maintaining good relations between the cadres and masses. He advised party cadres, particularly leading cadres, "not only to educate the masses, but also to learn from the masses," saying that they must "have faith in the strength of the masses," "never divorce themselves from the masses," always "have close relations and ties with the masses and identify themselves with the masses to a definite degree." He vigorously advocated that the party's cadres must always "go down to the masses, extend the party's influence among the masses and at the same time correctly report the masses' opinions to the party in order to make the party a real party of the masses." In order to bring about close relations between the cadres and the masses, as early as on the eve of the founding of the People's Republic, he already had advocated that "we must continue to maintain and carry forward the revolutionary tradition of arduous struggle which we have formed during the long-term struggle in the countryside," and that "although we now live in the cities, we must not imitate the wasteful and decadent lifestyle created by the bourgeoisie. We must maintain our traditional lifestyle of arduous struggle and simple living."

Comrade Zhou Enlai not only placed strict demands on others, but also set a good example. He always had deep feelings for the masses and not for a moment did he forget about having contact with the masses. As early as when he was working in the White areas, he already took "never divorce oneself from the masses; learn from the masses and help them" as an important principle in his self-cultivation, and he practiced this by his exemplary actions. He always had the masses in his thoughts and often had contact with them. Even under the conditions of secret work, he still tried his best to make use of all kinds of organizations and forums to talk with the masses and nonparty people, to unite and win over the masses and to mobilize and organize the masses to wage open or secret struggles. During the several decades when he was responsible for leadership work in the party Central Committee and the State Council, his heart was always linked to the masses' hearts and he shared the masses' feelings. No matter how busy and how tired he was, he seized every opportunity to go down to the masses to observe the situation, to inquire about their welfare, to hear the masses' opinions and clamors, to show concern for the masses' sufferings and to help the masses solve problems. He occupied a high position but he never sought privileges. He consistently maintained the fine work style of arduous struggle and simple living and of sharing the masses' weal and woe. Comrade Zhou Enlai's communist spirit of having close ties with the masses and dedicating heart and soul to a lifelong struggle for the people's interests has won the sincere love of the masses. Hundreds of millions of people will forever cherish his memory.

Our leading cadres are leaders among the people and not rulers riding on the heads of the people. They are loyal servants of the masses and not the people's overlords. They only have the obligation to serve the people and not the right to seek privileges. If a leading cadre ignores the people's interests, divorces himself from the masses, places himself above the people and uses his official position to pursue selfish interests, he will not be able to win the masses' trust and support and will not be qualified to be the masses' leader. To be a leader trusted by the people, the most important thing is to consciously assume the position of the people's public servant. "We must serve the people like a willing ox serves the children. We must serve the people sincerely and honestly" and must be willing to "die to serve the people." Only such people can be respected leaders of the people.

### III

In inner-party life, Comrade Zhou Enlai actively advocated and set an exemplary example in implementing the system of democratic centralism. He correctly elaborated on the dialectical relationship between democratization and centralized guidance. He waged a relentless struggle to enable the party to constantly consolidate and develop under the guidance of the principle of democratic centralism.

After Comrade Zhou Enlai took charge of leadership work in the party Central Committee in 1926, he consistently followed the principle of democratic centralism in directing army work, party work and mass movements. He attached great importance to carrying out democracy in the party and in the army. In 1929, he pointed out that in order to raise the political level of the party, to reinforce the party members' combat power, to make the party's leading organs effective and to achieve party unity in order to overcome the enemies, the scope of inner-party democratization must be extended. He held that even though under the very serious conditions of White terror, the scope of inner-party democratization could be correspondingly contracted, this contraction should never hinder correct inner-party democratic life. He said that a form of democratization which is suited to the conditions of secret work was necessary. He highly acclaimed the military democracy, political democracy, economic democracy and three evaluations movement (soldiers evaluating cadres, evaluation of party members and evaluation of meritorious military service) which were implemented in the army during the period of the revolutionary war. He believed that as a result of this, "democracy had been extended and discipline had been strengthened," "commanders had taken a better attitude" and "the army had become easier to lead."

Comrade Zhou Enlai held that for a leader to carry forward inner-party democracy, he must practice a democratic work style, must be good at listening to other people's opinions and be daring in stimulating debate among different views. He highly acclaimed the study and debates on the questions concerning the struggle between two lines conducted inside the party during the Yanan period. He held that "this was a debate which stimulated the thinking process. Thinking inside the party has never been as emancipated as today. This has been the result of the rectification campaign and study led by Comrade Mao Zedong. This represents



great ideological progress." He actively advocated debates among different viewpoints. "In order to search for truth, there must be debates. To have debates, there must be no arbitrariness. What is arbitrariness? It is only: What I say is right; what other people say is wrong. Then, how could there be debate? If your opinion is sacred and inviolable, then who cares to debate with you? Even if one has a lot of correct views, one must still listen to other people's opinions. It is only by absorbing other people's good ideas that our thinking can develop." Debates between different points of view are beneficial to clarifying right and wrong, understanding truth, unifying our thinking and unifying our action. They are beneficial to free expression of opinion, absorbing all useful ideas and pooling the masses' wisdom, in order to make them dare to ask questions, make them good at asking questions, expressing their views and criticizing shortcomings and to fully mobilize the enthusiasm, initiative and spirit of responsibility of the broad masses of cadres and masses.

While advocating inner-party democracy, Comrade Zhou Enlai never became lax in opposing the tendency of extreme democratization. He pointed out: "In the past, there was a 'patriarchal' system in our organization. Party members and the masses had to mechanically obey party organs and there was no lively party life to speak of." Without eliminating this practice, there can be no inner-party democracy. However, "we should not mechanically employ the term 'patriarchal system' to weaken the power of leading organs and to serve as camouflage for extreme democratization." If the party members can choose not to implement the party's decisions, and can act freely without the party's permission; if individuals do not obey the organization, and the lower levels do not obey the higher levels; if we only want the organization to take care of us and do not want organizational discipline; if we seek unrestricted democracy without centralized guidance, "this petit bourgeois extreme liberal thinking could shatter or even wipe out the party organization."

Comrade Zhou Enlai considered upholding democracy under centralized guidance an important condition for preventing and overcoming extreme democratization. In view of the tendency of extreme democratization in the army, he firmly asserted in September 1929 that "democratization can only exist under centralized guidance." In December that same year, the resolution of the ninth party congress of the Red 4th Army which was drafted under the direction of Comrade Mao Zedong also explicitly put forth the task of "vigorously carrying out democratic life under centralized guidance." We all know that both inner-party democracy and people's democracy require centralized guidance in order to grow healthily in the right direction. Without centralized guidance, extreme democratization will inevitably result. This will encourage anarchy and undermine the party's system of democratic centralism. Marxism has always held that democracy and centralism are both contradictory and complementary to each other. They are two aspects of one single entity. We cannot one-sidedly stress one aspect and negate the other. For decades, our party has consistently upheld "centralism on the basis of democracy" and "democracy under centralized guidance" and carried on a tenacious struggle against all erroneous tendencies which only stress centralism and discard democracy or which only stress democracy and discard centralism, thus insuring the implementation of the principle of democratic centralism. We must clearly understand that centralized guidance and personal dictatorship are

two different things. We must not confuse the two. What we mean by centralized guidance is guidance based on basic Marxist theories, based on the party's line, principles and policies, and based on the party's program and constitution and state laws. Only this kind of guidance is correct centralized guidance. Correct centralized guidance must be upheld, while erroneous personal dictatorship must be overcome. However, we must never negate centralized guidance because of our opposition to personal dictatorship. Blaming all errors in personal ideological style and in work on the party's principles and the party's leadership is an unscientific attitude no Marxist should have.

#### IV

Comrade Zhou Enlai had been part of the party's leadership work since his youth. He occupied different important leadership positions at various times. In his many years of leadership work, he accumulated and summed up very rich experience. He gave a very good theoretical discussion on the qualifications of a leader, how to carry out correct leadership, the duties of a leader, the relationship between the leader and the masses, the art of leadership, leadership methods, leadership style and so forth. These discussions were mainly contained in the article "How To Be a Good Leader." Three points which he raised should arouse profound thought in us.

First, leading cadres must strengthen political and ideological leadership. This is the foremost task of a leader. Comrade Zhou Enlai asked leading cadres to pay attention to big events, heighten political alertness, strengthen ideological work inside and outside the party and actively propagandize the party's policies and achievements. We must understand that leaders are commanders and not clerks. How do leaders command? With the correct Marxist ideas, with the party's line, principles and policies. It is only by using correct ideas to inspire and influence people and by using the party's policies to guide and mobilize the people that we can arouse the revolutionary spirit of the people, mobilize the people's enthusiasm, make a good start in our work and truly open up a new situation in our work. A leader must mainly devote his energies to thinking about and studying major problems, to knowing the ideological trends, to formulating and mastering the party's principles and policies, to pointing out the goals and direction and to mobilizing forces from various sectors with forceful political and ideological work. In this way, he can win initiative in leadership work.

Strengthening political and ideological work is the foremost duty of the leading cadres; abandoning political and ideological work amounts to abandoning the basic responsibility of a leader. This is because political and ideological work is an important guarantee for accomplishing our tasks in various work and an important prerequisite to doing a good job in leadership work. Comrade Zhou Enlai pointed out: "Revolutionary political work based on revolutionary ideals is the life-blood and soul of all revolutionary armies." He sternly refuted various fallacies which downgraded political work as empty talk as "selling dogskin plasters" and as responsible for adding to friction between the lower and higher levels. He pointed out: "We must frankly and sincerely say that if these pretexts to downgrade political work are not the result of failure to understand

the real meaning of political work, they must be the result of a deliberate attempt to oppose revolutionary political work in the army and to stop the revolutionization of the army. When political work becomes empty talk, it is surely not the fault of political work itself. It is because political workers fail to conduct truly revolutionary political work."

To leading cadres, one important aspect of strengthening political and ideological work is to constantly propagandize and explain the party's line, principles and policies to the cadres and masses; to use the party's line, principles and policies to arm the masses' minds, unify the masses' thinking, mobilize the masses' enthusiasm; and to transform the party's line, principles and policies into the masses' conscious action. Comrade Zhou Enlai said: "Any policy decisions and changes and correct and erroneous portions in all policies must be openly pointed out not only to the cadres but to the masses at appropriate times. Only thus can the masses' understanding and support be gained for the policies to make them a real force. Leaders must always take this initiative. They must not be overly cautious. If many matters concerning policies are known to only a small number of cadres, the masses and cadres at lower levels will be anxious. As a result, the leaders will end up in a passive position." While propagandizing the party's policies, we must also strengthen education on the prevailing situation and the present task and take a realistic attitude in clearly explaining achievements in our work and problems confronting us in order to make the masses understand the objective conditions, to bolster their confidence, to make them understand existing difficulties, and to enable them to work with one heart and one mind to accomplish the party's various combat duties during different periods.

In order to strengthen political and ideological leadership, Comrade Zhou Enlai asked leading cadres to constantly raise their ideological and theoretical levels, reinforce their political training and set a good example. He believed that the low level of consciousness in Marxist theory inside the party was an important reason why "left" and right opportunism existed and why the party was not able to find the correct revolutionary road for a long time. Thus, he particularly stressed that leading cadres "should have the spirit of studiousness" and "should have a firm Marxist world outlook." He pointed out that leading cadres and political workers "must be the officers' and soldiers' model in ideology, in politics and in action. They should be loyal to the revolutionary ideal, possess an indomitable will and adopt an arduous and diligent work style in order to influence all officers and soldiers. They must adopt a humble and friendly attitude and have the spirit of patient persuasion in order to unite the officers and soldiers. Only thus can they enhance the prestige of political work, push forward political work and expand the influence of political work."

Second, leading cadres must seriously implement the party's correct decisions and constantly inspect how the decisions are being implemented. Comrade Zhou Enlai said: "After having a political line, organizational work is the most decisive thing." What we mean by organizational work here refers not only to the selection of cadres but to the regular and important work of organizing the implementation of the party's line, principles and policies. To leading organs and leading cadres, formulating policies and decisionmaking are very important. However,



formulating policies and making decisions are not enough. They must also vigorously organize the concrete implementation of the policies and decisions. It is only when the party's policies are understood and grasped by the broad masses of party members, cadres and people that these policies can possess great power. This requires doing thoroughgoing and meticulous organizational work in order to guarantee that the party's policies and decisions are comprehensively carried out in the localities and departments concerned. At the same time, leading cadres must "practice what they preach, take the initiative" and take the lead in implementing the party's line, principles, policies and important decisions. They must not ask others to implement them while they themselves refuse to do so; much less should they overtly obey but covertly resist and go their own way. Disagreeing with the party and singing a different tune on the questions of the party's line, principles and policies or even overtly or covertly resisting them is impermissible under party discipline.

In organizing the implementation of the party's line, principles and policies, we must systematically and constantly oversee how they are being implemented. Comrade Zhou Enlai stressed that "the leader must personally participate in this inspection." "This inspection must not only be from top to bottom, but from bottom to top." This inspection must not be formalistic and superficial but realistic and thoroughgoing. Comrade Zhou Enlai held that in inspection work, "one must not take promises as the basis, but must look at the actual results of the work." "One must not believe in the plans drawn up in the office and written on paper, but must find out whether the plans have actually been realized or only perfunctorily executed." "One must not look at the form but must find out whether the substance has actually been correctly implemented or has been distorted." After inspection, those responsible must be educated and urged to implement what they failed to implement, to effectively implement things that have not been implemented well and to rectify errors. Work well done must be commended. This kind of inspection not only "can prove whether the party's line and strategy is correct in practice and can point out whether supplementary measures are necessary," but can also discover shortcomings or errors in leadership work and thus lead to timely rectification. In view of some people's fear that this kind of inspection "easily exposes their weak points, undermines the leadership's prestige or shakes their confidence," Comrade Zhou Enlai sharply pointed out: "The leadership's prestige is not raised by covering up mistakes. It is not built by boasting, but by diligence and hard work. Confidence in our work will only be enhanced and will not be diminished after correcting mistakes. Only those vain people who are too keen on saving face are afraid of exposing errors!" He asked leading cadres to place strict demands on themselves and to be brave enough to engage in self-criticism. By doing this, they will be able to receive help and supervision from other comrades and emulate others' good examples.

Third, leaders must be cautious in selecting and appointing cadres. Comrade Zhou Enlai attached great importance to the decisive role of cadres in implementing the party's line and policies. Therefore, he considered careful selection and rational placement of cadres an important task of leaders. Thus, what are the criteria in the selection of cadres? Comrade Zhou Enlai gave a clear answer: "In the selection of cadres, both the political criterion and



working ability are absolutely necessary, and political trustworthiness is the prerequisite." This idea of Comrade Zhou Enlai's totally agrees with our party's longstanding policy of taking both political integrity and ability into consideration in selecting cadres. In selecting cadres, the first thing is to see whether they are politically trustworthy and whether they identify with the party politically. Then we must also see whether they have working ability, whether they are competent enough to handle the work. Only thus can we correctly choose cadres trusted by the party and the people in accordance with the party's criteria in selecting cadres. A party cadre cannot be considered a politically trustworthy, good cadre if he doubts or does not have enough faith in basic Marxist theories, if he doubts or has insufficient faith in the party's leadership and socialism and if he doubts or resents the party's line, principles and policies. It is dangerous to let such people take charge of leadership work.

Comrade Zhou Enlai held that we must be good at selecting cadres and at "using them suitably." This requires that we learn how to observe people, understand people, know the strong points and weak points of each person and appoint them to suitable positions in accordance with their peculiarities. We must make use of their strong points, avoid their weak points and allow them to do the best they can and make full use of their abilities in their respective positions. We must persist in appointing people on their merit, oppose nepotism, eliminate factionalism in appointing cadres, firmly overcome all unhealthy practices in cadre work and seriously uphold the party's principles in cadre work. Only thus can we correctly implement the party's cadre line.

As one of the outstanding leaders of the CCP, Comrade Zhou Enlai was closely bound up with our party's rise and development. With his noble character and fine work style, he set a brilliant example for comrades of the whole party. His voluminous writings left a rich and valuable ideological legacy on the subject of party building. The above ideas which he formed during the period of democratic revolution and his ideas that the party is the vanguard of the proletariat, that the party's leadership is the guarantee of the victory of the revolution, that the party's leadership is primarily political leadership and not meddling in everything, that party organizations and party members must be subject to the masses' supervision, that party members must be the masses' model and so forth not only played an important guiding role in doing a good job in party building and winning the victory of the revolution at that time but are of great practical significance in today's efforts to strengthen the party's leadership, to improve the party's leadership, to reinforce the party's combat power, to do a good job in economic readjustment and to push forward in the building of the four modernizations.

Our party has traversed a tortuous path in the past 60 years. It has achieved great victories which shook both China and the world. History has proved that the CCP is really a great Marxist political party. It is a totally reliable core-leading force. Naturally, in its process of development, our party has suffered some setbacks and failures. Particularly owing to the sabotage of the Lin Biao-Jiang Qing counterrevolutionary cliques in a span of 10 years, our party suffered unprecedented destruction, and as a result many problems which require urgent solution exist today. However, we must never doubt nor waver

in our faith in the party because of this. To judge whether a party is full of vitality, we must not only see whether it commits mistakes or not. The more important thing is to see whether it has the courage and ability to admit and rectify its mistakes. After the smashing of the "gang of four," particularly since the Third Plenary Session of the 11th CCP Central Committee, our party has not only categorically exposed its errors and thoroughly criticized these errors but has already taken or is taking positive steps to seriously correct its mistakes. In many respects, it has really achieved results that are universally acknowledged. The emergence of errors involves a long process and so does the correction of mistakes. It is not realistic to attempt to cure a serious illness having a history of 10 years in one morning. The fact that people criticize our party a lot and place strict demands on the party is a good thing. We must derive strength from this, overcome our shortcomings and correct our errors. We must have the following conviction: With the concerted efforts of the whole party, we will be able to do a better job in party building. At present, we have the strong leadership of the party Central Committee, have the correct line, principles and policies, have 60 years of fine tradition and rich experience and have the effective supervision of the whole party and the people of the whole country. We can be absolutely sure that our party will have the confidence and ability to overcome difficulties, eliminate defects and restore the party's glorious image. Dark clouds have dispersed. Spring has returned to the frozen earth. Our party is again marching with vigorous steps, standing in front of the hundreds of millions of people, holding high the banner of Marxism-Leninism-Mao Zedong Thought and courageously advancing toward the bright future!

CSO: 4004

**WE SHOULD CONTINUE TO CARRY FORWARD THE REVOLUTIONARY SPIRIT OF FEARING NEITHER  
HARDSHIP NOR DEATH**

Beijing RED FLAG in Chinese No 3, 1 Feb 81 pp 23-25

[Article by Wei Yingmin [7614 5391 2404] and Chen Zhishang [7115 1807 1424]]

[Text] The spirit of fearing neither hardship nor death, which has existed within our revolutionary ranks for decades, reflects the aspirations and moral integrity of the people of various nationalities in our country. It demonstrates the firm will of the communists and all revolutionaries who are not afraid of hardships and difficulties and are willing to sacrifice everything, even their precious lives, to win victory for the cause of revolution and construction. This revolutionary spirit once fired the enthusiasm of our nation, produced great strength, and inspired us to overcome every difficulty and hardship and surmount all obstacles in overthrowing the domination of imperialism, feudalism and bureaucrat-capitalism. It has also inspired us to fight heroically in order to build a prosperous, modern and powerful socialist country. The party Central Committee has always affirmed and commended this spirit. Comrade Mao Zedong once said: "I am for this slogan--'fear neither hardship nor death.'"

Any revolutionary slogan might be distorted and abused, and the slogan "fear neither hardship nor death" is no exception. During the 10 years of disasters, the Lin Biao and Jiang Qing counterrevolutionary cliques donned the Marxist cloak and used the slogan "fear neither hardship nor death" to incite beating, smashing, looting, confiscation of people's property and arrests and to unleash an "all-out civil war" in a vain attempt to realize their counterrevolutionary scheme to usurp party and state power. Meanwhile, within the ranks of our cadres, there were indeed some bureaucrats who completely forgot the work style of seeking truth from facts and following the mass line, which had all along been advocated by our party. They simply did not cherish the enthusiasm of the masses, did not show any concern for the workers' safety, health and material well-being and often distorted the slogan "fear neither hardship nor death." Using this slogan as a convenient trick to issue compulsory orders and give arbitrary directions, they did a lot of foolish, even bad, things against the cause of revolution and against the people's interests. Without a doubt we should squarely face these mistakes and criticize and repudiate them. However, we should by no means confuse the distinction between truth and falsehood and negate this revolutionary slogan while negating the erroneous things.

Comrade Mao Zedong time and again expounded the spirit of fearing neither hardship nor death and always taught the Communist Party members and revolutionary fighters that they must be "full of the spirit of self-sacrifice" and be "steadfast in the midst of difficulties and loyal and devoted in serving the nation, the class and the party." "No matter what the difficulties and hardships, so long as a single man remains, he will fight on." ("Selected Works of Mao Zedong," pp 255, 988) "To die for the people is a glorious death." ("Inscription for Martyrs Killed in the '8 April' Incident") Comrade Liu Shaoqi expounded this spirit even more profoundly in his famous work "How To Be a Good Communist." He said: If a party member thinks only of the communist interests and aims of the party and is really selfless, then he will show in his actions that he is "the first to worry and the last to enjoy himself," "the first to suffer hardship and the last to enjoy comfort." "He compares himself with others not with respect to material enjoyment but to the amount of work done for the revolution and the spirit of hard endurance in struggle." "He has the greatest revolutionary courage" and an "unhesitating readiness to sacrifice personal interests, and even his life, for the party and the proletariat and for the emancipation of the nation and of all mankind." He emphatically pointed out: "This is the highest expression of communist morality, of the principles nature of the party of the proletariat, and of the purest proletarian class consciousness." Very plainly, "fearing neither hardship nor death" is an important principle of communist morality. Every person who is resolved to fight for communism should consciously abide by this principle in the practice of revolution and construction.

In the darkness of old China, people were afraid of hardship and death in the face of bloody suppression by counterrevolutionary violence. At that time, making revolution was out of the question. Looking back over the course of struggle traversed by countless revolutionary martyrs and predecessors, every heroic deed and victory radiated with the revolutionary spirit of "fearing neither hardship nor death." Without the courage and resourcefulness of daring to struggle and to win, without the firm will to work hard and endure great hardships, and without the work style of fighting heroically and tenaciously and stepping into the breach when someone fell, how could they have held high the revolutionary red banner and challenged to battle the three archenemies riding on the backs of the Chinese people? How could they have overcome the countless hardships and difficulties on the road of advance and withstood the test of so many setbacks and failures? How could they have used inferior military equipment to vanquish an enemy equipped with superior arms and win a great victory in the revolutionary war?

In that case, must we persistently carry forward the spirit of "fearing neither hardship nor death" in the new period of striving for socialist modernization? Without a doubt we must. As it embodies the lofty spirit of the revolutionaries and the glorious tradition of the Chinese people's revolution, "fearing neither hardship nor death" should be handed down from generation to generation and continuously developed. In our country, which used to be poor and blank, is still not financially solid, has a low level of production and livelihood and a population of 1 billion, it is impossible to achieve the great goal of socialist modernization without the revolutionary spirit of "fearing neither hardship nor death." We draw spiritual strength from the successful experiences of our



revolutionary predecessors in conquering nature and transforming society. This is an indispensable condition for our overcoming all difficulties on the road of building a modern and powerful socialist country.

In the work of economic construction, whether we are engaged in capital construction (such as building dams, power stations, railroads and factories, and opening mines) or in industry, agriculture, forestry, animal husbandry, sideline production and fishery, every task requires us to work hard, endure hardship, sweat and display the spirit of painstakingly starting an undertaking. Practice proves that for every achievement made in production and construction, we have to pay a tremendous price in hard work, even the price of blood. Otherwise, nothing can be achieved. Take, for example, the recently completed Gezhouba cofferdam project--the most magnificent project in the history of water conservancy construction in our country. Would this have succeeded if the vast numbers of workers, scientific and technical personnel and cadres had not displayed the revolutionary spirit of "fearing neither hardship nor death" in overcoming this or that kind of difficulty?

In scientific and technical work, it is also necessary to have the courage to disregard personal safety. Marx said: "There is no royal road to science, and only those who do not dread the fatiguing climb of its steep paths have a chance of gaining its radiant summits." ("Collected Works of Marx and Engels," Vol 23, p 26) He also said: In approaching science, one must "not be afraid of going to hell." What does "not being afraid of going to hell" mean? It means fearing neither hardship nor death. The world-renowned atomic physicists Pierre and Marie Curie discovered radium. Working to extract the elements of radium, they ruined their health and sacrificed their lives. If they had stopped in the face of difficulties and had cravenly clung to life instead of braving death, the progress of science in this particular field would have been delayed for years. The entire history of the development of science and technology shows that every great scientific achievement and major technological invention is the fruit of painstaking physical and mental labor put in by scientific and technological workers who are not afraid of hardship and sacrifice. There is no precedent in which victory was won by sheer good luck by people who were afraid of difficulties.

In the work of safeguarding the four modernizations, it is all the more necessary to display the revolutionary spirit of fearing neither hardship nor death. In order to safeguard the political situation of stability and unity and insure the smooth progress of economic readjustment, the public security fighters, customs workers, and industrial and commercial management cadres must display the spirit of defying hardship, hitting out incessantly and fighting heroically in their struggle against the handful of counterrevolutionaries, criminals, speculators and smugglers. Would they be able to accomplish their tasks without such a spirit? Obviously not. It is particularly necessary for the PLA, which guards our frontiers and coast day and night, to display such a spirit. This is something we all know and it is self-evident. The thousands of heroes and martyrs emerging from the war of self-defensive counterattack against Vietnam were praised as the most beloved persons of the new era precisely because they had inherited and carried forward our army's glorious revolutionary tradition of "fearing neither hardship nor death" in serving the motherland and the people.

In short, in our everyday life, the heroic and model figures on various fronts and the shock workers on the new Long March all display the lofty spirit of "fearing neither hardship nor death."

Is promoting the revolutionary spirit of "fearing neither hardship nor death" contradictory to the scientific attitude of valuing objective laws and seeking truth from facts? No, not a bit. They are in harmony and complement each other. We all know that, in order to win victory and make achievements in work, we must make the subjective conform to the objective and understand and grasp objective laws. To do this, one must first of all have the revolutionary spirit of fearing neither hardship nor death. For example, during the period of the democratic revolution, we went through a very tough process before we finally found the revolutionary road of encircling the cities from the countryside, a road suited to China's conditions. This process included numerous setbacks and failures, during which countless revolutionary martyrs shed their blood and laid down their lives. Nor was that all. Following this road to make revolution was no easy matter. The path was overgrown with brambles and every step forward involved difficulties and sacrifice. Stepping into the breach when one of them fell, the Chinese people fought heroically for more than 20 years and finally won a victory on this road. Historical experience proves that whoever is afraid of difficulties and death will not be able to find out the truth and will not be able to fight for the realization of truth. Similarly, if the revolutionary spirit of "fearing neither hardship nor death" is not founded on the basis of valuing objective laws, it will become a blind act and cause unnecessary pain and sacrifice. This will not do our revolution and construction any good. It can thus be seen that only by carrying forward the revolutionary spirit of "fearing neither hardship nor death" and showing courage in practice can we understand and grasp objective laws. Put in another way, only by understanding and grasping objective laws can we more effectively carry forward the revolutionary spirit of "fearing neither hardship nor death" and obtain deserved achievements and results in revolution and construction. As long as we approach problems from the viewpoint of materialist dialectics, we will not have any difficulty understanding this reasoning.

Stalin once said that the Leninist work style was the combination of revolutionary courage and the spirit of seeking truth from facts. Comrade Mao Zedong also pointed out: "We do not permit any of our Red Army commanders to become blundering hotheads; we decidedly want every Red Army commander to become a hero who is both brave and sagacious, who possesses both all-conquering courage and the ability to remain master of the situation throughout the changes and vicissitudes of the entire war." ("Selected Works of Mao Zedong," pp 166-167) During the war years, we, on the one hand, called on the commanders and fighters to carry forward the spirit of revolutionary heroism of fighting heroically and fearing no sacrifice and, on the other hand, resolutely opposed reckless fighting regardless of the war situation, stressing the need to make a concrete analysis of the concrete conditions of the enemy and ourselves, adopt flexible strategy and tactics, and be good at preserving and developing our own strength. We called on everyone to defy difficulties and work hard, on the one hand, and emphasized the need to show concern for the well-being of the masses and to pay attention to the method of work on the other. The pioneering spirit displayed

by the Daqing oil workers in the 1960's was admirable in that it embodied the combination of revolutionary courage and the truth-seeking spirit. At that time, we not only urged people to carry forward the revolutionary spirit of "fearing neither hardship nor death" but emphasized the need to cultivate the scientific work style of "three honest's and four strict's." By mapping out and strictly enforcing a whole set of rules and regulations governing technical operations and production safety, we insured the victorious completion of China's first big oilfield with greater, faster, better and more economical results. There were certain objective reasons why the former responsible persons of the Petroleum Ministry made mistakes on a number of occasions, including the Bohai No 2 oil rig accident. Subjectively speaking, however, they made these mistakes because they claimed credit for themselves, became arrogant, practiced bureaucratism, divorced themselves from the masses and from reality, worked contrary to the revolutionary spirit of painstakingly starting an undertaking displayed by the Daqing workers in the past, abandoned the scientific work style of "three honest's and four strict's" and acted blindly regardless of objective laws. Again, although we should resolutely criticize and rectify this kind of blind and reckless action, we would be moving toward the other extreme and would be very wrong indeed if we negated the spirit of working hard and fearing no sacrifice under the guidance of the correct line.

In a word, "fearing neither hardship nor death" is the precious spiritual wealth of the Chinese people. It should be treasured and carried forward and should not be slighted and discarded. We believe that after long years of practice and after accumulating positive and negative experiences, the Chinese people will be able to understand the revolutionary spirit of "fearing neither hardship nor death" more profoundly and in a more all-round way. When this spirit is combined with the scientific attitude of seeking truth from facts and is more consciously grasped by the masses, it will be turned into an enormous material force that will accelerate the realization of the four modernizations.

CSO: 4004

## OVERCOME THE INFLUENCE OF LEFTIST IDEAS AND DO A GOOD JOB OF EDUCATIONAL READJUSTMENT

Beijing RED FLAG in Chinese No 3, 1 Feb 81 pp 26-29

[Special article by Jiang Nanxiang [5592 0589 5046] and Zhang Chengxian [1728 2110 0341]]

[Text] On the basis of an all-round analysis of our country's economic situation, the Central Committee has advanced the eight-character policy of readjustment, restructuring, consolidating and improving since the 3d Plenary Session of the 11th CCP Central Committee. This marks a turn in our economic work toward healthy development along the party's ideological line. In the past 2 years, the eight-character policy has been successfully implemented on the education front and the general situation is fine. However, we have not made an earnest effort to overcome leftist ideas which have long existed among us and have not drawn a clear line of demarcation between right and wrong on the question of line. Because of this, some comrades lacked a profound understanding of the eight-character policy put forward by the Central Committee and did not do an efficient job in implementing this principle. This inevitably produced a direct impact on the education front. Thus, the education front was troubled by poor understanding and the lack of effective measures. Recently, the Central Committee has resolved to carry out further economic readjustment and bring about greater political stability. The education front should implement this important principle, do a good job of readjustment and make improvements. This should remain its central task for some time to come.

### I

To carry out educational readjustment, we must first of all readjust the relationship between education and the economy.

Education is a great undertaking dealing with the exploitation of intellectual resources. As a means of raising the level of workers' knowledge and skills, education is also an indispensable productive force. By supplying society with an endless stream of qualified personnel of different cultural and scientific levels, education plays an enormous role in promoting our country's political and economic construction and cultural prosperity. Socialist modernization not only calls for a high degree of material civilization, but also calls for a high degree



of spiritual civilization. Without the full development of culture and education and without raising the scientific and cultural levels of the whole nation, it is impossible to do well in material construction and win a complete victory in the socialist cause. We may say that the success of the four modernizations depends to a large extent on the development of science and education. This is amply borne out by the numerous difficulties we have encountered in our country's construction owing to the lack of qualified personnel and the workers' low level of technical competence.

Over the years, we have not paid sufficient attention to the position and role of education in socialist construction. Investment in education was too small and was out of all proportion to the economy. Except for the period of the First Five-Year Plan, the proportion of educational outlays in total state expenditures increased at a very slow rate in the two decades and more between the founding of the People's Republic and the downfall of the "gang of four." The proportion even decreased in some years. Although the total number of students steadily rose, the proportion of investment going to educational capital construction in the total amount of investment in state capital construction shrank from year to year. As a result, the average amount spent on each student was continuously reduced. In 1975, educational outlay (including educational capital construction investment) only accounted for 6.3 percent of total state expenditure. This percentage was very small compared with that of many countries. Things have improved somewhat since the downfall of the "gang of four," but have not yet taken a fundamental turn for the better because we have too much to catch up on.

Why is it that the proportion of investment allocated to education has not been duly raised in years? For quite a long period of time in the past, we were making "leftist" mistakes in our economic work. We were impatient for success, blindly went after unrealistically high targets and overextended the scale of capital construction. This brought serious harm to education. On the one hand, excessive investment in industrial capital construction not only vied with investment in agriculture and light industry and produced disproportions between various economic sectors, but also vied with investment in education and produced a serious disproportion between education and the economy. On the other hand, because of our reckless economic advances, we were also compelled to go after high targets and high speed and "make bricks without straw" in the educational field. Hence, education was caught in two dilemmas. The three big booms in the number of newly recruited full-time college students in 1956, in the 1958-60 period and in 1978, and the subsequent big drops were a concentrated expression of this problem.

Under the conditions of the daily development of science and technology in the present age, constantly enhancing the knowledge and skills of workers, applying new scientific and technological inventions and creations in production on an extensive scale and improving management standards have become the essential means for increasing labor productivity and developing the productive forces. All these tasks require a powerful educational base. However, some comrades were influenced by leftist ideas and fettered by the concept of small production. In their understanding and handling of the relationship between education and

the economy, they tended to stress the economy at the expense of education, see material factors to the neglect of human ones and overlook the important role played by knowledge and by intellectuals in socialist construction. Instead of looking upon investment in education as productive investment for opening up intellectual resources, they simplistically regarded it as an item of consumption expenses. Instead of looking upon education as a powerful lever in promoting the development of production, they simplistically regarded it as a welfare undertaking for the masses and maintained that it should be developed only after the economy had flourished. Some even regarded education as dispensable and arbitrarily diverted funds earmarked for education to other fields of endeavor. This is another important reason why investment in education has not been increased for such a long time.

At present, the central link in economic readjustment is to solve the problem of an overextended capital construction front. After making an adequate retreat on the capital construction front, we can spare some money to develop education. Education is a weak link in the whole national economy and falls into the category of goods in short supply. In our readjustment, we should increase rather than cut down appropriations for education. Since our country is now in financial difficulties, it is impossible for us to increase such appropriations by a big margin all at once. When financial and economic conditions have improved, we should increase the proportion of investment in education step by step and establish a proper ratio between education and the economy. In our present modernization program, all localities and departments must train able people in great numbers, slightly lower the rate of economic development, suitably increase educational appropriations, and insure the proportionate and coordinated development of education and the economy. This is in keeping with the fundamental interests of the broad masses of the people and conforms to the objective laws of educational and economic development.

In finances, we have already tried out a system of "apportioning revenue and expenditure between the central and local authorities while holding the latter responsible for their own profits and losses." Now that each eats from his own pot, many localities wind up having some cash surplus. For many years, education funds have been restricted. The local authorities should now spare more money to develop education, particularly primary and secondary education. At the provincial, municipal and autonomous regional levels, the proportion of investment in education should be greater than at the central level. The proportion of such investment at the county level should be even greater. In the present circumstances, it is essential for us to determine the proper proportions of educational outlays at the central, provincial, municipal, autonomous regional and county levels in total state expenditures on the basis of summing up domestic and foreign experiences, and give them the necessary recognition and guarantee through legislation.

## II

To carry out educational readjustment, we must also readjust the proportions between various educational sectors.

Education is an important front in China's socialist construction and is closely related to the development of the national economy. The ratio between capable people of different standards and professions trained by schools of various types and at various levels is determined by the objective needs of the national economy and various social sectors. The scale and speed of educational development must correspond to the state of economic development.

During the 10 years of turmoil, our educational undertakings were hit very badly and their vitality was greatly sapped. The contingent of teachers suffered a vital blow and there was a serious disproportion between various types of teachers. School equipment was destroyed and quite a number of school buildings were forcibly occupied. After the downfall of the "gang of four," we should have placed the focus of education work on readjustment, consolidation, replenishment and improvement in order to give education the time it needed to recuperate and recover. However, because we underestimated the seriousness of the damage done by the "gang of four" and did not emancipate ourselves from the trammels of leftist ideas, we did not pay attention to acting within our capabilities in developing education for some time after the downfall of the "gang of four." For a while, the slogan of "great development and improvements" was chanted in the field of higher education. A breakdown of the average annual rate of increase of full-time college students since the founding of the People's Republic reveals: 17.9 percent for the period of economic recovery, 18.2 percent for the period of the First Five-Year Plan, 13.5 percent for the period of the Second Five-Year Plan and 6.7 percent for the 3 years of readjustment. The average annual rate of increase for the 17 years prior to the "Great Cultural Revolution" was 11.6 percent. In the 3 years since the downfall of the "gang of four," the average annual rate of increase has been 21.8 percent, the highest in the 30 years since the founding of the People's Republic. Because the pace of development was too fast, many schools fell short of various necessary requirements and had difficulty guaranteeing the quality of education. Now is the time to earnestly solve these problems.

At present, there are disproportions between various types of schools. Viewed vertically, the ratio between elementary personnel and medium- and high-caliber professionals should be arranged in the form of a pyramid. However, in 1979, the number of full-time college students totaled 1.02 million while that of secondary technical school students only stood at a slightly higher figure of 1.2 million. The state of affairs was top-heavy. Viewed horizontally, in secondary education, the number of ordinary senior middle school students made up 90 percent of the total number of senior middle school students, whereas that of secondary technical schools, agricultural middle schools and various types of vocational schools only accounted for approximately 10 percent. This does not tally with the many needs of the modernization program and the job requirements for the young people. For this reason, it is imperative for us to reform the structure of secondary education and readjust the proportions between various types of vocational and technical schools on the one hand and ordinary middle schools on the other. In higher education, it has been a longstanding practice to stress science and engineering at the expense of liberal arts. During the period of the "Great Cultural Revolution," nearly all liberal arts courses were dispensed with. In particular, there was a considerable decline

in the number of students majoring in finance and economics, politics and law. In 1978, the number of liberal arts students (excluding those in teachers' colleges) only accounted for 8.5 percent of the total number of college students. This state of affairs is not in keeping with our needs to carry forward socialist democracy, strengthen the socialist legal system and improve management standards. Influenced by the leftist line during the period of the "Great Cultural Revolution," some localities proposed popularizing junior middle schools before they had popularized primary schools and proposed popularizing senior middle schools before they had popularized junior middle schools. Since they did not have the teachers needed to teach in such schools, they adopted the method of promoting teachers at every level. As a result, there appeared a grave situation of "not having any key members left because all key members were promoted to the next higher level." Since the downfall of the "gang of four," this phenomenon has not been completely eliminated. In recent years, some localities and departments have expanded a number of secondary technical schools to become colleges or universities. Some of these schools did not measure up to their names because they did not possess the necessary conditions. This phenomenon of "impractical swelling" in education work seriously affected the improvement of educational quality. In some colleges and universities, the students were disgruntled with the lack of teachers and school buildings and the poor quality of teaching. This even became a factor for instability. In the development of secondary technical schools and institutions of higher learning, the improper or overlapping arrangement of schools, colleges and professional training facilities and the phenomenon of "small but complete" were obviously present. All this must be solved step by step in the course of readjustment.

Owing to the great differences in conditions between various localities, various departments and schools of various types at various levels, we should make concrete analyses of the problems that must be solved in the course of educational readjustment and deal with each case on its merits.

In addition to readjusting the proportions between various educational sectors, we must vigorously strengthen the weak links in our work. Primary education is the foundation of national education and is the starting point for raising the scientific and cultural levels of the whole nation. At present, the enrollment rate of primary schools throughout the country is 93 percent. However, only 60 percent of the students can finish primary school and only 30 percent of them can pass the examinations. In order to fulfill the historical mission of making primary education basically universal in the 1980's, places which have not yet popularized primary education should step by step fulfill this mission on the premise of insuring quality. Places which have already done so should strive to improve the quality of education in a down-to-earth manner. In secondary education, we should strive to do a good job of structural reform and actively develop secondary technical schools, agricultural middle schools and various types of vocational schools while conscientiously grasping the building of key middle schools and making a continuous effort to improve the quality of education. We should adopt practical and effective measures to actively develop education for minority nationalities in border areas. In full-time institutions of higher learning, the principal task is to improve the quality of education,



particularly to run a number of key schools and key courses well. In addition, it is necessary to properly readjust the proportions between various disciplines and readjust the arrangement of professional training facilities in a planned and systematic way. Adult education and secondary vocational education of various types should be actively developed because they are major ways of training more people.

In short, we must work toward the following three goals in our educational readjustment: First, we must strive to adapt education to the needs of China's socialist construction as far as possible and develop education in a planned and proportionate way. We must adapt the scale and speed of educational development to our national conditions and make educational investment yield better results. We must also step by step combine our education system with our labor and cadre systems. Second, we must better implement the principle of insuring an all-round development of students morally, intellectually and physically, strive to raise the quality of education and gradually overcome the phenomenon of "impractical swelling" which exists in schools of various types at various levels. Third, we must consolidate and strengthen the leading groups, replenish and upgrade the contingent of teachers, gradually improve the conditions for running schools and improve and strengthen ideological and political work in order to consolidate and develop the situation of stability and unity.

### III

On the education front, implementing the eight-character policy centered on readjustment is a formidable and complex task. In order to insure the smooth progress of readjustment, we must carry out various items of ideological and organizational work in a down-to-earth way.

The influence of leftist ideas is the fundamental cause of the serious disproportion between economic and educational construction. As far as education is concerned, the implementation of the eight-character policy centered on readjustment means eliminating the influence of leftist ideas, placing education in a proper position and at the same time firmly carrying out the principle of proceeding from reality in everything, seeking truth from facts and acting within our capabilities. We have suffered enough from "leftist" mistakes during the past 20 years and more. However, we have been unable to properly sum up historical experiences because we have not correctly oriented our political and ideological lines. At a meeting to bring order out of chaos, the 3d Plenary Session of the 11th CCP Central Committee not only made us aware of the pressing need to sum up historical experience but provided us with the necessary conditions for correctly summing up experience. Only by correctly summing up experience, distinguishing right from wrong on the question of line and overcoming the influence of leftist ideas can we unify our thinking and action and work with one heart and one mind to implement the principles and policies of the Central Committee. The present readjustment is a sober and healthy one. It is a positive strategic measure. Historical experiences prove that by readjusting the proportions between education and the economy and between schools of various types at various levels, we can insure their coordinated growth in a planned and proportionate way, do solid work and make steady progress. We should say that this is the correct road of advance we have found after groping for years and enduring bitter experiences.

In order to implement the eight-character policy centered on readjustment on the education front, we must also correctly handle the relationship between readjustment and restructuring. Readjustment includes some necessary restructuring. Viewed from the whole situation, however, we must center everything on readjustment. Restructuring should be subordinated to readjustment and be conducive to readjustment. Only when we have scored notable results in readjustment can we create favorable conditions for restructuring on a wider scale. In carrying out restructuring, we should first launch pilot projects to gain experience and later popularize them step by step when conditions are ripe. Our fundamental aim in restructuring education is to strengthen and improve party leadership, improve the quality of education and gradually establish a Chinese-style socialist education system in our country.

The education front received a telling blow during the 10 years of turmoil. It takes a fairly long time to educate and train a person. What is more, educational readjustment must be synchronized with economic readjustment. For this reason, the time required to carry out educational readjustment may be longer than that required by economic readjustment. We cannot expect to fulfill this task within a short time. Leading educational departments at all levels should conscientiously study the principles and policies of the Central Committee concerning readjustment, strive to enhance their understanding of policy and their professional ability and at the same time exert greater energy in conducting investigation and study and summing up experience. This is the foundation of a successful readjustment. If we do not conduct adequate investigation and study, are not good at correctly summing up experience and lessons and do not have a clear grasp of the situation, we will not be able to seek truth from facts and proceed from reality. Hence, readjustment will be caught in a dilemma because of its lack of proper grounds. We must pay attention to further implementing the policy toward intellectuals and fully bring into play the initiative and creativeness of the vast numbers of teachers. Educational readjustment should be reflected in the work and livelihood of intellectuals and carried out by them. Reassuring and upgrading the contingent of teachers is a very important issue that deserves our special attention.

Educational readjustment calls for overall planning and reasonable distribution. In the readjustment of higher education, in particular, it is all the more necessary to strengthen centralized and unified leadership. At present, some of our institutions of higher learning are directly subordinate to the Ministry of Education; some are run by business departments under the central authorities; some are run by provincial, municipal and autonomous regional authorities; and some are run by big enterprises. We must proceed from the situation as a whole and have unified planning. We cannot successfully carry out readjustment if we only take local interests into account.

We believe that provided we firmly implement the principles and policies of the party Central Committee concerning readjustment, our education cause will be able to regain its vitality and make improvements in the course of readjustment, lay a solid foundation for future development and restructuring and play a greater role in promoting the four modernizations.

## A BRIEF DISCOURSE ON THE MAIN TREND OF THE DEVELOPMENT OF LITERATURE IN 1980

Beijing RED FLAG in Chinese No 3, 1 Feb 81 pp 30-34

[Article by Liu Mengxi (0491 1125 3305); passages enclosed in slantlines published in boldface]

[Text] Since the "gang of four" was smashed, Chinese literature has entered a new historical period of development. Following the trend of emancipating the mind which started with the 3d Plenary Session of the 11th CCP Central Committee, the literature of the new period, with its profound ideology, acute criticism, powerful realism, sharp topicality and incessant pursuit of creativity, has attracted a vast readership both at home and abroad. The year 1979 went down in history as a rich year for creative writing. What about 1980, which has just passed? We have good reason to say that 1980 was an even more stable year in which our socialist literature entered a new era.

### I

An overall examination of creative writing in 1980 reveals some obvious features. Following is a brief account of them in different aspects. The examples are mainly drawn from medium-length stories and short stories.

/A Wider Scope for Subject Matter/ Whether a literary piece is successful does not depend on the subject matter, that is, what is written, but rather on how it is written. However, since the "gang of four" advocated that "subject matter be the determining factor," writers have been confined to a narrow scope in terms of subject matter. In our recent literary development, the wider scope of subject matter indicates the flourishing situation in creative writing. Since the smashing of the "gang of four," there has been a breakthrough in subject matter. The new works deal with socialist tragedies, family problems, the love between a man and a woman, and intellectuals. Compared with the period when writers could only write about the workers, peasants, soldiers and the bright side of life, the new period indeed allows a wider scope for subject matter. However, as China is a nation in which the majority of the population are manual laborers such as factory workers and peasants, writers must not ignore the life, struggle and destiny of these laborers. If works about the factory workers and peasants were to drastically decrease or become insignificant, the overall picture of socialist literature would be intolerably deformed. It is pleasing to see that in recent years, especially in 1980, many literary works directly depicting factory workers

and peasants were produced by a group of popular writers who are good at this subject. Jiang Zilong [5592 1311 7893] is already renowned for his depiction of factory life. After "Factory Manager Qiao Reports for Duty," he published in 1980 such works as "Diary of a Factory Secretary" and "The Pioneers," which show a considerable improvement in ideology and artistic achievement. Zhong Jieying [0022 2638 5391], author of the play "Dawn in the Grey Kingdom," has published since last year short stories such as "Burning" and "Under the Sign," which thoroughly and saliently expose the obstructions to the modernization program in terms of the industrial front. The young writer Chen Jiangong [7115 1696 0501] has vividly portrayed the mine workers in a free and unconventional manner. Even more writers depict the peasants. Apart from such veteran writers as Ma Feng [7456 3536], Xi Rong [6007 2051], Li Huai [2621 3232], and Shao Hua [7300 5478], who are known for their portrayal of peasants. They still produce new stories on this subject. There are new writers such as Gao Xiaosheng [7559 2556 5116], Jia Pingyao [6328 1627 0425], Jia Dashan [6328 1129 1472], Chen Zhongshi [7115 1813 1395], Cheng Yi [2052 0001], Zou Zhian [6760 1807 1344] and He Shiguang [0149 1102 0342]. Each of them has an individual style with a strong rural flavor and enjoys the trust of the vast rural readership. Military subjects seem relatively rare, but good works are not lacking. Xu Huaizhong's [1776 2037 0022] "Anecdote From the Western Front," full of a heroic and contemporary revolutionary spirit, is told in a new style. In addition, "Soldier in the Depths of Tianshan" written by Li Binkui [2621 2430 1145] and "The Last Military Salute" written by Fang Nanjiang [2455 0389 3068] and Li Quan [2621 5425] are also outstanding works about the military life of the PLA. It goes without saying that for historical subject matter and other subject matter that reflects reality, last year the trend was toward development and expansion.

*/More Profound Themes/* Since the smashing of the "gang of four," the themes of our literature have gone through several changes. At first, the themes focused on the exposure of the "gang of four" and on praising our proletarian revolutionaries of the older generation. Then it was the various spiritual wounds caused by the extended period of the ultraleftist line. Finally, it was the writers' deep concern for the modernization program and how to overcome the obstructions. In the transformation of the new period's literary themes, we feel the pulse of the age and hear the footsteps of our great motherland marching forward.

For a certain period of time, too many literary works dealt with scars. As this became a fad for young writers, there were also inevitably vulgar and superficial works which dealt with this subject. However, the creative writing of 1980 gradually changed this state of affairs. Many writers combined the exposure of scars with the conclusions of historical experience, heroic flesh-and-blood characters and the stubborn pursuit of beauty. Such works do not discourage and depress the readers, but rather give them confidence and courage to go forward. For example, in "Body and Soul," Zhang Xianliang [1728 6343 0081] portrays a petty intellectual, Xu Linjun, who is covered with scars. With concrete depiction, he emphasizes this hero's deep, simple and beautiful sentiments for the laboring people through long periods of harsh physical labor. These sentiments are transcended into compassion for his great motherland, so that when his father, who abandoned him and his mother before the liberation and who now lives



abroad, asks him to leave his motherland, our hero refuses without a second thought. He is determined to stay with the laboring people. This philosophical work reflects the joy amid sorrows and the beauty amid scars. Other works in the same category, such as Li Guowen's [2621 0948 2429] "The Eclipse," Ye Wenling's [5509 2429 3781] "Fragrance at Heart" and Zhu Xingyi's [4376 5281 5030] "Poplar Flowers Like Snow" have contributed to making the themes more profound.

Moreover, some writers constantly pursue new themes. In "Middle Age," Chen Rong [6186 1369] points out the conflict between the middle-aged intellectuals' contributions to society and the treatment they received. In "The Viscount," Li You [3810 3945] convinces the readers with artistic charm that if a nationality is to stand firm in the world, it has to respect itself first. In "Archetype," Lu Xinhua [4151 2450 5478] reveals how the stagnant ideology twisted a young woman worker's soul and deformed the development of a person's personality. Meanwhile, some writers try to reflect certain features of humanitarianism, but explorations along this line are not always successful. For example, Li Yingru's [2621 5391 0320] "Fine Clarity" falls under suspicion of being an empty story divorced from reality. This is a failure, considering that Li is a rather well-known writer. This shows that the exploration of new themes must proceed from reality. Once it departs from the objective logic of reality, even the subjective will to innovate will not have the expected effect.

*/More Variation in Character Portrayal/* Literature is about people. If people comprise social life, they should be the focus of creative writing. The characters portrayed by the writers reveal a general picture of the literature of a certain period. The literature of 1980 is remarkable for a greater variety of characters. Apart from the portrayal of workers, peasants, PLA fighters, intellectuals and leading cadres of the party and the government, which are all familiar to the readers, Gao Xiaosheng's peasant image is poles apart from the peasants portrayed by writers of the 1950's and 1960's. His characters embody a sense of history and a sense of time. The short story "Chen Huansheng Goes to Town" is an excellent piece that vividly depicts a typical peasant from our countryside. In He Shiguang's "In the Village Square," Feng Yaohu is also a realistic character. This story reflects the party's correct moral policy, which awakens the peasant's dignity as a human being. Intellectuals can of course be a literary subject, but can they be heroes? In the past, this was a difficult question to answer. In "Middle Age," Chen Rong creates a heroic figure in Lu Wenting, who is an ordinary intellectual. The captivating moral power of this short story strongly appeals to a vast readership.

Works like Wang Meng's [3769 5536] "As the Kiteswing Dances," Liu Xinwu's [0491 1800 2976] "Honeyed Offering," Liu Fudao's [0491 138] 66701 "Moon Over South Lake," Gan Tiesheng's [3927 6993 3932] "Man Is Not a Sensitive Plant," Wang Runzi's [3769 3387 3320] "Crabs for Sale," and Xu Huaizhong's "Anecdote From the Western Front" are all about young people. From these works we can find out new facets in our young people's minds. In "Anecdote From the Western Front," Liu Maimai is careless and never takes life seriously. Yet, at the critical moment, he unhesitatingly sacrifices himself for his motherland. A letter sent to his mother before he dies reveals that his heroic deed is not a coincidence. In "Man Is Not a Sensitive Plant," the young woman Wang Ying perseveres in running

a good teahouse. She is intelligent, experienced, tough, innovative and cares little about worldly prejudices. But she is not disillusioned with the human world. Rather, she is beyond the limits of convention. In Gao Erpin's "A Light Biography of a 'Cell,'" the officer of the city residents' committee boldly declares: "Don't you dare to look down upon me the city residents' committee officer; I'm one of the government's cells." During 20 years or more, this petty "cell" officer is sometimes involved in a tragedy, sometimes in a comedy, sometimes in a farce, so that people just don't know what to do with her. Yet she is basically a kind-hearted woman. She is only a "government cell" thoroughly soaked in a long period of ultraleftism. She should not be made to shoulder responsibility for history taking a roundabout path. This story is quite different from the others. It has a message for the readers and ranks among the best of last year's works.

/A Richer Art Form/ Creating writing generally includes three elements: life, thinking and technique, of which technique is very important. We can say that the three elements are inseparable and that creative writing is an art only when all these three elements are combined. We have rich traditional techniques in our literature. A unique national style has been formed through long years of accumulation. Yet the methods of presentation can change. Writers can develop their own styles only when they take the good points of other masters. As Engels said, "The character portrayal by the classical writers is not adequate in our time." ("Selected Works of Marx and Engels," Vol 1, p 38) The great poet Du Fu also said, "Turn to the classical masters but do not forget the contemporary ones," and "The best way is to learn from all the masters." We should follow Du Fu's spirit of learning from others. Just as Comrade Mao Zedong said, in learning a language, we should learn not only from the masses, but also from the classical masters and foreigners. In artistic techniques, we should do the same. We should learn from whatever will improve our technique. Of course, the aim of learning from foreign artistic techniques is to enrich our own techniques, not just to copy or imitate, least of all to absorb the foreign writers' world outlook. There is no fixed technique for fiction or poetry. If ideas can be exchanged, so too can artistic techniques. Realism can include different styles. In "As the Kitestring Dances," "Dream of the Sea" and "The Sound of Spring," Wang Meng employs the stream of consciousness. Whether this experiment is successful is a matter of opinion. But the experiment itself should not be criticized. Writers should have the utmost freedom to try out as many artistic techniques as possible.

/New Works Are Becoming More Solid Than Before/ The emergence in large numbers of new writers is the most remarkable phenomenon in literary development since the smashing of the "gang of four," and has no precedent in the period since liberation. The literary tendency of the new period mainly stems from these young writers. As Comrade Zhou Yang reported at the fourth congress of cultural personnel, "They represent a young generation in our literature. They are in the process of growing and maturing." The practice of creative writing in 1980 has proved that the works of many of our young writers are gradually maturing and their ideological and artistic foundations have become more solid. Take Beijing's rising young and middle-aged writers for example. They attained considerable achievements in 1980. Liu Xingwu [0491 1800 2976] alone published 11 short

stories and 1 medium-length story. The artistic level of his works was better than before and he has been exploring methods of writing fiction. Works like "As You Wish It" and "In the Elevator" were warmly received after publication. Li You was best known for his reportage. His short stories, such as "The Viscount" and "Tears on the Lapel" published last year, are broad and carefully constructed. What is most pleasing is that after the fourth congress of cultural personnel, another group of even younger writers has emerged. They include Chen Jiangong, Wu Guozheng [3019 0948 2398], Gan Tiesheng, Wang Anyi [3769 1344 2011], and so on. Their average age is below 30. They are all sensitive writers with acute thinking, meticulous powers of observation and varied styles of expression. This has been a breath of fresh air for the literary boom of the new period. Chen Jiangong's works, in particular, have a higher level of thought, a meticulous artistic structure, a well-versed technique and a realistic style. His work has become increasingly solid in "The Tartar West of Beijing," "Quietly Flows the Stream," "The Funeral," "Recessed Eyes" and "Clusters of Stars in the Sky." Since 1980, the writing of young writers has been more solid than before. However, some writers have become less strict with themselves and have gone backward without being aware of it. This is quite normal and is itself part of the whole picture of a period's literary development.

## II

The literature of the new period emerged from the foundation of criticizing the literature of concealment and deception advocated by the "gang of four." The former exists as an antithesis to the latter. As such, its foremost task is to recover and foster the tradition of realism in Chinese literature since the May Fourth Movement and the tradition of realism in socialist literature since liberation. In this aspect, the foundation of realism is firmer in the literature of 1980 than in that of the preceding 2 years. A common tendency in many of the good works is that life and the characters are no longer simplified. In the past, the intricacies of life were much too simplified in some works, so that they were dry and unconvincing. In literary criticism, literary works were simplistically grouped under two categories: works to praise and works to expose. Likewise, the same piece of work could simply be composed of two parts: praise and exposure. This criterion, which divides literature into either black or white, is too simplistic. It is extremely bad for both creative writing and literary criticism. The intricacies of social life and the writer's appraisal of social life must exist in character portrayal. This means that the ideas of praise and exposure alone are not adequate to cover the writer's comprehensive attitude toward social life and his comprehensive aesthetic judgment. Praise and exposure should overlap and coexist. Even in works like "Dream of the Red Chamber," Cao Xueqin does not one-sidedly praise or expose life. He is fully sympathetic with Jia Baoyu and Lin Daiyu. While praising them, he does not hide their weaknesses.

It is the same with many of last year's works. With regard to short stories such as "The Eclipse" and "Body and Soul," medium-length stories such as "Middle Age," "Butterflies," "House With Big Catkin Willows" and "Thin Mist at Dawn," it is hard to classify their rich content as praise or exposure, for the writers' attitudes do not seem to be as simple as before. Is Wang Meng's "Butterflies" an

exposure or a praise of Zhang Siyuan? Perhaps it is neither. The writer is full of respect for Zhang when he was a revolutionary, of contempt for him when he was no longer his old self, of sympathy for him when he was persecuted, of hope for him when he finally found his true self again. Some critics abroad say that in present-day Chinese literature, the villains are portrayed as neutral people and the ordinary people as good ones. This criticism is not in accordance with our literature of the new period. According to those critics, the so-called villains are our leading party cadres who are guilty of bureaucratism. The critics cite as examples Zhang Siyuan and Tang Jiuyuan portrayed by Wang Meng and the Marxist-Leninist old woman portrayed in "Middle Age." These critics are either biased or ignorant of the harmonious relationship between the party and the people formed through a long period of revolutionary history. They have no idea of the distinction between bureaucratism and leading cadres who have committed bureaucratic mistakes. It is wrong to regard as a villain a cadre who tends toward bureaucratism and to mercilessly condemn him. On the contrary, our masses fully understand this. They hate bureaucratism, but they don't oversimplify the entire matter. They believe that the majority of the cadres who have committed mistakes will correct themselves. Therefore, there is a mixture of love and hate in the masses. They only hope that the cadres will one day be good again. As for ordinary people being portrayed as good ones, our ordinary people are truly good citizens. The writers cannot violate this truth. Of course, they do hesitate in their criticism of the leading cadres for their bureaucratic errors. Even in the exposure of this, the writers express reservations. This is characteristic of the function of socialist literary criticism, that is, when criticism is directed at ourselves, we should handle it correctly.

Related to this is the so-called exposure of the dark side of social life. In my opinion, this is not a scientific concept of criticism. Instead, it oversimplifies creative writing. Social life is an immense movement that is full of conflicts. As the principal components of social life, human beings are advancing through struggle. Sometimes they succeed, sometimes they encounter hardships and fail. While success is cause for exultation, failure should not be cause for discouragement. The masses are the masters of history. Even if the masses moan and struggle, life is not all gloomy. The function of criticism in socialist literature should not by any means be diminished, for if it is, literature will be lifeless. On the other hand, admiration and pursuit should not be separated from grasping the world with artistic means, for if it is, the writer will not be a true writer. To simplistically divide the world into the bright side and the dark side is, like Proudhon's division of capitalist society into the good side and the bad side, incapable of reflecting anything. In criticizing Proudhon's viewpoint that "advantages and disadvantages together form the basic contradiction in each economic category," Marx said, "If we conclude that the entire process of the dialectical movement is simply good or bad, and if we conclude that the task is to get rid of the bad and use one category as a disinfectant for another, the category will lose its own independent movement, the idea will 'not function any more,' and it will not have a life of its own." ("Collected Works of Marx and Engels," Vol 4, p 147)

Literature is more subjective and colorful than social life itself. Especially in our socialist nation, a responsible writer should not just simplistically



confine his activities to the exposure of the dark side of life, but should try his best to show the beautiful side of the people and to remember that, under the party's leadership, the people have obtained glorious achievements, that even in adversity they always head for brightness. A writer should try to reinforce confidence and courage in people, while not hypocritically whitewashing life. If we carefully examine the literature of recent years, especially that of 1980, we can see the writers' pursuit of this kind of literature, which is in accordance with the law of social development. Many works about the tragedy of life have a profound message, so that the readers become sad but not negative, and they find the works appealing but not desperate. What captivates the heart is the moral strength. What is called profound realism does not mean the exposure of the ugly side of life and the exclusion of the pursuit of ideals and what is good in life. The latter is indispensable for literature. We must attach great importance to it.

Of course, what we emphasize is the main literary trend of a period. Minor trends or countertrends also exist. In 1979 or 1980, for example, some writers went in for bizarre stories and sensationalism. They masked poor artistic expression and content with wild stories. Some are not careful with their subject matter and do not have enough knowledge of their characters. They write about the dark side of life just because they mechanically want to write about it. There is no sincerity or spontaneity in their work. Some even have problems in their artistic and ideological bearings and go off the track on which literature must correctly reflect society. For a certain period last year, there were too many works about Sino-Japanese friendship and Sino-American friendship. This subject matter was not supported with historical materialism, so that the ideological strength of these works was much weaker than it should have been. The result was just the opposite of raising our national pride and confidence. This phenomenon is also inevitable and it cannot hinder the general tendency of the literature of the new period. We must take note of it.

A young writer has suggested that literature should describe the self more and that the individual's subjective world should be the first consideration in literature. He even went so far as to say that literature should exclude reality. This is against realism and obviously not in accordance with the major literary trend of 1980. Literature, especially poetry, is certainly subjective. Through it the writer reflects not a general picture of social life, but a portion of social life as he sees it. Therefore, the self must exist in art. Yet the writer often appears as a spokesman for the masses, not as himself or an individual alone. His opinions are not only those of one person. Only when he is ahead of the time and at one with the masses will he be respectable. There are, of course, writers who write solely about themselves, but they are socially insignificant. Like bubbles on the edge of a torrent, they shatter in the roaring torrent of history.

Restoring the tradition of realism will bring our socialist literature into a new era. In the direction of serving the people and socialism, we have reason to believe that the ever progressing realism will lead our literature to greater prosperity in the future!

CSO: 4004

A NEW FORM OF ECONOMIC ORGANIZATION--AN INVESTIGATION OF ECONOMIC INTEGRATION IN  
CHONGQING MUNICIPALITY

Beijing RED FLAG in Chinese No 3, 1 Feb 81 pp 35-37

[Article by Hu Xiukun [5170 4423 0981], Guo Yuanxi [6753 0337 2522] and Zhao  
Guoliang [6392 0948 5328]]

[Text] In accordance with the principle of voluntary mutual benefits and economic rationality, the industrial and transportation system in Chongqing municipality has reached 111 joint agreements since the second half of 1979 and there are 201 units involved in this integration. A total of 93 of these units have formed 35 economically integrated bodies. Some have already started production or trial production and some are in the course of negotiations and preparations. The emergence of these economically integrated bodies has blazed a brandnew path for the promotion of a flexible economy.

I

How can Chongqing municipality shatter the boundaries between various regions, trades, the people and the collective, military industry and the civilian sector, industry and agriculture and industry and commerce within a short period of time and integrate them in line with the internal economic ties between the enterprises? This is closely related to the conditions for the development of the social productive forces.

Chongqing municipality is an old industrial city with comprehensive industries. There have been great developments in it since the founding of the country and it has a strong industrial productive capacity. The city now has more than 3,600 industrial enterprises. However, the industrial enterprises are basically all-round plants which are "big and complete" or "small and complete." The level of socialization in production is not high. Moreover, there is division caused by departmental and regional subordination and restrictions caused by different systems of ownership. The economic ties are very weak, and this seriously restricts the development of the productive forces so that the productive capacity of the existing industries cannot be brought into full play. Meanwhile, the industrial structure is not rational. There is too much heavy industry and very little light industry. Over the past 30 years, the light industrial output value in the city has increased by 19 times and the heavy industrial output value

has increased by 60 times. There is a serious imbalance between the light and heavy industries. In the present readjustment of the national economy, how can we "take from the long to add to the short" in industrial production and make use of the productive capacity of enterprises which have ceased production or have not been assigned sufficient tasks to develop the production needed by society? Through integration we can develop the strong points and overcome the weaknesses and turn the dispersed unfavorable conditions into centralized and favorable conditions. This can change the irrational industrial structure and commodities structure and effectively develop the productive forces.

However, our economic management system has restricted the development of enterprises. Because we did not recognize the enterprises as relatively independent commodity producers in the past, we did not recognize the economic gains from these enterprises. Thus, effective enterprise management is not being linked to its economic gains. Consequently, the enterprises have no initiative to promote integration. Moreover, our economic management system has cut off the objective links required for economic development. Even if many enterprises express a demand for integration, the demand cannot be materialized.

At present, through the initial reform of the economic management system and the increase in the decisionmaking power of enterprises, the effective enterprise management is being linked to the economic gains of the enterprise. This has not only mobilized the initiative of enterprises and employees in developing production but has also created the conditions required for economic integration, making it possible for enterprises to take the road of integration.

For example, the watch-making industrial company in Chongqing municipality has more capital since it carried out the experiment of "replacement of profits with taxes, independent accounting, and responsibility for its own profits and losses." In the budgetary forecast for the entire year, the company still has capital for developing production and funds for renovating equipment and for making general overhauls after making allowances for wages and bonuses. The total tax exemption for new products has reached more than 6 million yuan. This amount, together with the allowances for the trial manufacture of new products, is more than 3 times the amount of the annually manufactured new products, is more than 3 times the annual investments allocated by the state before the increase of autonomy. With this amount, the company has guaranteed funds for economic integration. In addition, after expanding the decisionmaking power of enterprises, the company has some authority for planning and increasing reproduction. The state plans in 1980 stipulated production of 300,000 watches and 700,000 clocks. After discussions with the representatives of company employees at a general meeting, the company decided to manufacture 0.5 million watches and 1 million clocks. Moreover, the company has the authority to allocate certain equipment for use in the joint enterprises. This prompts the enterprise to take the road of specialized cooperation and economic integration.

The practice of Chongqing municipality shows that the process of the development of economic integration and the process of reorganizing industries according to the principle of specialized cooperation supplement one another. Many joint enterprises have raised the level of specialized production and increased their productive capacity through industrial reorganization.

According to the original plans, the Chongqing watch-making industrial company has the capacity to design 300,000 watches and 300,000 alarm clocks each year. This is based on the orientation of all-round plants. However, the parts were not proportionately linked up to form a whole in production, the utility rate of the equipment was low, the technological forces were scattered, the management was poor, the production costs were high and the production potential was not fully utilized. Conditions did not allow us to increase our productive capacity through the method of relying on the increase of state investments, equipment, labor forces and land requisition. The state also had difficulties. Under these conditions, through the increase in autonomy, joint management and specialized cooperation, they have reorganized the original watch-making company into the five specialized production plants of Watch Plant No 1, Watch Plant No 2, Clock Plant, Tool Plant and Machine Repair Plant. At the same time, they did away with the five boundaries between regions, trades, ownership systems, military industry and the civilian sector, and industry and agriculture, and have implemented joint management with 3 county subsidiary plants, 5 regional subsidiary plants, 1 military industrial plant, 2 neighborhood plants and 3 commune-run enterprises. They take the company as the "head of the dragon" and carry out specialized and joint production in a coordinated process. Through economic integration they make use of the 30,000 square meters of the plant premises, 421 sets of equipment, 224 mu of land, 10.19 million yuan of fixed assets and a 1,590-person labor force, thus increasing the productive capacity of watches and alarm clocks by 67 percent and 43 percent respectively.

It can be seen that some enterprises in Chongqing municipality can meet the requirements of the adjustment of the national economy and more quickly take the path of economic integration. The initial reform of the economic management system and the increase in the decisionmaking power of enterprises are important factors, because the reform of the economic management system has liberated the productive forces. This inevitably calls for new economic organizational forms which conform to it. Various forms of economic integration have begun to develop.

## II

The nucleus of economic integration is the correct handling of the relations of economic gain on various sides.

First, economic integration has given impetus to the development of production. The increase of labor productivity has brought more revenue to the state and even greater economic gains for the localities, enterprises and employees. For example, the Chongqing General Sewing Machine Plant was an all-round plant in the past. Since the development of economic integration, most of the accessories are produced by coordinated plants. The general plant concentrates on grasping the production and assembly of accessories which are more difficult to produce and require more complicated skills. It has increased production by a wide margin and turned losses into profits. The plant produced only 60,000 sets of sewing machines in 1979 and incurred losses of 110,000 yuan. In the first half of 1980, it produced more than 50,000 sets of equipment and obtained more than 410,000 yuan in profits.



Second, the distribution of interests in economic integration must be based on the principle of mutual benefit. Seen from the practice of developing economic integration in Chongqing municipality, there are two methods of distributing profits in joint enterprises: 1) Some enterprises adopt the method of distribution according to the proportion of investment. After the payment of the commercial tax, the repayment of the principal and interest for capital construction and technological measures and the retention of funds for the enterprises as stipulated, the actual profits of the joint enterprises are allocated according to the shares in the joint management. Capital, raw materials, machinery, premises and so on are calculated as shares. For example, the Tashan Tannery jointly run by the Chongqing Leather Goods Company and by communes and brigades has a total of 17 shares amounting to 300,000 yuan each. Their percentage of the actual profits of the enterprise is used as development funds for the enterprise, and 70 percent of the profits are evenly distributed according to the shares. 2) Some enterprises allocate profits twice. For example, the Chongqing Municipal Three Gorges Electric Fan Integrated Enterprise is composed of five units: the Three Gorges Electric Appliances Plant, Hairdressing Tool Plant, Wuyi Metal Plant, Machine Tool Plant and Aluminum Plant. In line with the design requirements, they first calculated the planned production costs of the accessories. They divided the planned production costs into 100 shares. The five integrated plants took shares according to their share of planned production costs of accessories. The first distribution is the repayment of capital. After it has received the processed accessories, the Three Gorges Electrical Appliances Plant, which is responsible for general assembly, pays out the money according to the planned production costs. The second distribution is the allocation of bonuses. The profit after the repayment of loans is taken as the total amount and is allocated by the council as bonuses according to the amount of shares held by the various plants. Bonuses are distributed each quarter. Through this method people are concerned for their own production as well as for the production of the complete electric fan.

Third, uphold the principle of mutual benefit without promoting egalitarianism. In implementing the principle of exchange at equal value under the conditions of a commodity economy, it is necessary to recognize the differences in revenue in various departments, regions and production units brought about by different subjective and objective conditions. Meanwhile, it is necessary to create conditions, overcome the weakness of great differences in profits and strive to reduce such differences on the foundation of developing production. For example, irrational prices and taxes and differences in the conditions of equipment, technology and resources result in differences in economic revenue in the departments, regions or production units. This is particularly prominent in agriculture and light industry. There are also very acute contradictions between regions which mainly produce raw materials and fuel and regions which mainly carry out processing. How are these contradictions to be resolved? Before adjusting prices, we have to set up raw material bases through economic integration and give the peasants part of the economic benefits brought by the processing of certain products. For example, the Chongqing Company has set up economic ties with the production of canned mushrooms and tomatoes in the neighboring regions and counties and has adjusted the relations of economic benefits between the workers and peasants to a certain extent. In addition, some processing industries

can, through economic cooperation, give the places producing raw materials and fuel some of the economic profits accrued from processing. This helps resolve the conflicts of economic interests between some regions. As a result, we can avoid unfavorable economic situations and fully develop favorable economic conditions in the various regions and integrate the production of materials, raw materials and fuel with the processing of advanced technological equipment.

### III

Many forms of economic integration have been adopted by the industrial and transportation system in Chongqing municipality, such as the organization of enterprise companies or general plants in accordance with the principle of specialized cooperation, joint production of products in short supply, joint worker-peasant management of the raw materials base, joint production of people's consumer products by the military-industrial enterprises and civilian enterprises, joint production and marketing in industry and commerce, integration of scientific and research units with production units, operation of plants with pooled capital, and trade compensation and so on. Practice shows that we must proceed from reality and talk about the actual results in integration. We must ascertain the form of integration according to the actual needs of developing production and economic activities. We should not forcibly impose a certain model or adopt the same method in all cases. If we do not make an analysis but adopt a single form regardless of the conditions of the productive forces and the objective conditions, not only will economic integration fail to give impetus to the development of production, but it will also hinder the development of the productive forces.

As a result of the multiplicity of economic activities in society, the product variety, accessories and technological flow of the departments, regions and production units are also varied, thus, there are not just one or two targets of cooperation. For example, a watch-making enterprise can cooperate with enterprise A to produce diamonds. It can also jointly produce gossamer with enterprise B, watch cases with enterprise C and watch straps with enterprise D. In cooperating with the watch-making plant, the enterprises can also cooperate with many other enterprises that are manufacturing similar products. The form of cooperation is varied and can be changed. It develops according to the development of production and changes in accordance with changes in economic activities. For example, in the past there was only cooperation on certain points between the watch-making industrial company in Chongqing municipality and the Baxian Watch Case Company. Following the development of production and negotiations between the company and the Baxian Industrial Bureau, both sides mutually agreed that this relationship of cooperation could be further developed into a joint enterprise and the loose association could be developed into closer integration. The company has made unified arrangements for production and management and thus has guaranteed coordination in production. In sum, any enterprise manufacturing a variety of products must adopt varied forms and integrate itself with many other enterprises before it can have flexible, varied and lively economic cooperation.

Integration is a means and not an end. The aim of economic integration is to give an impetus to the rapid development of production. Thus, economic integration must proceed from the urgent demands of developing production. There should be integration whenever something is needed or lacking. Integration should be carried out as far as possible. We should not minutely consider every aspect and account for every conceivable eventuality when integration is mentioned. In the course of discussing economic integration, some units are entangled in the "unity of three elements," "unity of six elements" and even "unity of nine elements" of manpower, financial resources, material resources, supply, production, marketing, parts, government and the masses. The key to economic integration does not lie in the "unity of a number of elements" but in what is most favorable for the development of production.

CSO: 4004

## SOME QUESTIONS ON CRACKING DOWN ON SPECULATION AND PROFITEERING

Beijing RED FLAG in Chinese No 3, 1 Feb 81 pp 38-39

[Questions and answers by Shi Guangju [2457 6034 1565]]

[Text] What Are Speculating and Profiteering and What Are Their Concrete Manifestations at Present?

Speculating and profiteering are acts of illegally engaging in commercial activities, seeking exorbitant profits and disrupting socialist economic order in violation of national laws and regulations for the control of finance, foreign exchange, gold and silver, and commodity and commercial administration. At present, the principal manifestations of speculating and profiteering are: illegally profiteering in industrial and agricultural means of production; forcing up prices to buy up materials covered by the state purchasing plan and sabotaging the state purchasing plant; cornering commodities from state-owned and supply and marketing retail stores and reselling them at higher prices; individually reselling goods obtained indirectly from wholesale outlets; acting as an agent for the black market to make exorbitant profits; speculating on the rise and fall of prices to make a profit in the process; monopolizing and cornering the market to rig prices; reselling at a profit the planned supply of bills and negotiable bank securities; reselling at a profit gold and silver, foreign currencies, jewelry, cultural relics, foreign goods and valuable medicine; doing shoddy work, using inferior materials, adulterating and substituting goods and swindling money to make exorbitant profits; using the excuse of transacting business for enterprise and business units and inventing all sorts of pretexts to swindle and bluff people and plunder their property; selling documents, receipts and contracts and obtaining documents, issuing receipts, signing contracts on another's behalf and supplying bank accounts, checks and cash to obtain illegal income in the process.

Why Is There Still Speculating and Profiteering Under the Present Excellent Situation and What Is Their Harm to the National Economy?

Since the 3d Plenary Session of the 11th CCP Central Committee, we have implemented the policy of readjusting, restructuring, consolidating and improving, and have combined regulation by planning with regulation by market mechanism. By giving full play to the role of regulation by market mechanism under planned guidance and implementing various economic policies, there has been a greater



development of industrial and agricultural production. The national economy has been invigorated, urban and rural markets are flourishing and the situation is excellent. Why is there still speculating and profiteering in this excellent situation? There are many reasons for this. In the first place, we should see that this is a reflection of class struggle in the economic sphere. This struggle has never stopped but only relaxes from time to time and is manifested in a different form. When our socialist economy is developing in an orderly and healthy manner and management work is more firmly grasped, there is less of it. When there are more problems in our economy and management work is slackened, it will get out of hand. As long as imbalances in production and distribution and regional price differences exist in the commodity economy and among the regions, speculators and profiteers will worm their way into our midst. In the second place, we are now in the period of national economic readjustment. The economic management system is being reformed and some economic policies are being readjusted. Some of the measures of the past regarding commercial administration are no longer suitable in the new situation, and new measures can only be formulated pending investigation and study. Therefore, the demarcation line between legitimate business and illegal activity is not very distinct, and illegal activities are not promptly curbed and cracked down on. Some speculators and profiteers have taken advantage of this opportunity to sneak in and make trouble. Furthermore, the incorrect work style of some of our state-owned and collective enterprises has also fostered speculating and profiteering. For the interests of their own units and groups, a handful of enterprises that "think of everything in terms of money" have openly declared: "Everything we do is reasonable as long as it is for the collective" and "Everything we do is legitimate as long as it is for everyone." Under this kind of ideological guidance, they have brazenly violated the law and discipline and earned illegal income. They have even collaborated with speculators and profiteers and gone along with them in order to share in the spoils. By doing so, they have thrown open the door to speculating and profiteering and made it more difficult for us to crack down on such activities.

Speculating and profiteering are the kinds of actions that destroy the socialist economic order and social stability. They not only undermine the state's control over finance, materials and commerce, upset the socialist market, affect price stability, hinder the normal relations between production and construction, harm the economic life of the people and disrupt the smooth progress of the four modernizations, but at the same time also corrupt the minds of the people and weaken the sinews of socialism. Therefore, the struggle against speculating and profiteering is not just an economic struggle but is also a political struggle. Departments concerned must regard cracking down on speculating and profiteering as an important day-to-day task and grasp it firmly.

What Are the Distinctions Between Speculating and Profiteering and Actions Which Run Counter to Market Control Regulations, and How Should We Handle Such Distinctions?

Speculating and profiteering have already been discussed above. Below we discuss activities which run counter to market control regulations:

not fulfilling the purchasing task of the state and selling products by oneself without fulfilling contract commitments; engaging in business activities without a business license and outside the framework defined by the business license; violating the purchasing and marketing policy and price policy regulations for industrial and agricultural products; trafficking in industrial products without the approval of commercial administrative departments; organs, organizations, units, schools, enterprises and business units privately going to communes, production brigades and collective markets to buy agricultural sideline products without the approval of commercial administrative departments; commune members violating policy regulations and transporting agricultural sideline products for sale exceeding the capability of the individual (to shoulder, carry, haul or carry on bicycle); surreptitiously using such large-scale means of transportation as trucks, tractors and motorboats to transport goods for sale; and arbitrarily purchasing imported goods brought in or sent through post by Overseas Chinese and by compatriots in Hong Kong, Macao and Taiwan without the approval of commercial administrative departments.

In market control, we must distinguish between legitimate business and the transport of goods for sale and actions which violate market control regulations; and between actions which violate market control regulations and speculating and profiteering. We must protect legitimate business and transport of goods for sale. We must educate and put a stop to actions which violate market control regulations and subject some of these actions to economic sanctions. We must ban and crack down on speculating and profiteering. This applies to every unit and individual. As for those involved in speculating and profiteering, we must criticize and educate them individually according to circumstances and impose such punishments as making them sign an undertaking of repentance, criticizing them in circulars, purchasing their goods by compulsory means or restricting their selling price, imposing fines on them, pressing them to surrender their illegal profits, confiscating their illegally attained possessions, and ordering them to stop business and suspending their licenses. In serious cases, speculators and profiteers breaking the law will be punished by judiciary organs according to law.

#### How Can We Effectively Carry Out the Struggle To Crack Down on Speculating and Profiteering?

At present, in order to strengthen market control, crack down on speculating and profiteering and safeguard the socialist economic order, apart from strengthening the legal system and the investigation and punishment of those guilty of illegal activities, another important matter is improving the management of state-owned and collective enterprises and business units. We must educate the cadres and workers of these units to uphold the four basic principles, adopt an overall point of view, obey state laws and decrees and financial discipline in an exemplary way, correct their management concepts and direction, check unhealthy tendencies and wage a resolute struggle against speculation and illegal practices. Without the people to support and cover up for them and supply them with convenient conditions, it will be difficult for speculators and profiteers to carry out their activities. Second, state-owned and collective commercial enterprises must energetically improve management and administration, expand and open

up channels for the flow of commodities so that goods will circulate freely and things can be put to the best use. The success of purchasing and marketing work will deprive the speculators and profiteers of the "opportunities" to "speculate" or reduce the "opportunities" for them to engage in "speculation." Furthermore, we must extensively mobilize the masses to expose speculation and illegal activities and reward those who have made contributions. As long as the masses are mobilized, the speculators and profiteers will have no place to hide and will not be able to escape from the net of the people's justice.

CSO: 4004

## VOLUME II OF 'DAS KAPITAL' AND SOCIALIST ECONOMY

Beijing RED FLAG in Chinese No 3, 1 Feb 81 pp 40-44

[Article by Yu Mingren [0205 2494 0088]]

[Text] Marx made a penetrating study of the capitalist economic system, and his study is perfectly contained in his great scientific work "Das Kapital." If Volume I of "Das Kapital" is said to lay bare the essence of capital, then Volume II examines its movement. As the life of man is manifested in his movement, so the life process of capital is completed in its movement. Marx said: The spontaneous increase in value of capital is one type of movement and "it can only be interpreted as a movement and not as a static object." ("Collected Works of Marx and Engels," Vol XXIV, p 122) Based on the understanding of the fundamental principles of Volume I of "Das Kapital," we should conscientiously study Volume II, and this will be both helpful and beneficial to socialist economic construction.

Volume II of "Das Kapital" is divided into three parts: the theory of the cycle of capital, the theory of the turnover of capital, and the theory of the reproduction and circulation of the sum total of social capital. The theories contained in these three parts are organically related and any study of them should thus be carried out in an orderly manner.

### I

The theory of the cycle of capital shows us that during the course of its movement, capital has to pass through three stages. Moreover, it assumes three states and changes from one state to another. This theory is also applicable to a socialist commodity economy. Generally, the movement of capital of socialist enterprises also has to pass through three stages, which are: the purchase of the means of production, the organization of the production process and the marketing of the finished products. Thus, the sum total of the capital of an enterprise assumes a monetary state, a production state and a commodity state. Furthermore, it constantly transforms itself from one state to another.

In studying the theory of the cycle of capital, we have to strongly emphasize "activity." "Activity" is just movement and only through continuous movement, constantly assuming various states and transforming from one state to another,



can capital bring its role into play and increase its value. Thus, socialist enterprises must continuously purchase new raw materials, organize production activities, promptly market commodities and transform the existing state of their capital. Only when capital is kept active can it play its role and can enterprises be developed. Conversely, once it ceases to move and becomes static, its life will then be ended and it will die. Marx said: "Only by constantly moving from one stage to another can the circulation of capital maintain normal progress. If capital stops at the first stage G-W, then monetary capital will be frozen and become a monetary deposit. If it stops at the production stage, the means of production will be lying idle while the labor force will be in a state of unemployment. If it stops at the final stage W'-G', the unsalable commodities stored up will clog up flow of circulation." (Ibid., pp 63-64)

The three stages of the cycle of capital are equivalent to the three cyclical links of the present day, namely, supply, production and marketing. First, enterprises have to purchase the means of production, thus transforming monetary capital into production capital. Second, they have to organize the production process and turn raw materials into various kinds of commodities and products, thus turning production capital into commodity capital. Finally, they market the products produced, thus turning commodity capital back into monetary capital. In this manner the cycle is perpetuated and the movement of capital becomes "active." If the means of production cannot be purchased promptly, monetary capital will be accumulated and become static. If the management system breaks down or if, owing to a shortage of technicians and skilled workers, there is a breakdown in the work process, production capital will be accumulated and become nonproductive capital and consequently goods will not be produced continuously. If the commodities are of poor quality, unsuitable design and color, lacking in variety or of incorrect specifications, then commodity capital will not be turned into monetary capital. All of this can slow down or even stagnate the cycle of capital in socialist enterprises, thus preventing them from playing their role in socialist construction. Moreover, it reduces enterprises' profits and affects workers' income.

In order to manage capital well and utilize it, and to see that enterprises pay close attention to the circulation of capital and keeping it active, the State Council approved and sent a report concerning the practice of providing loans for capital construction instead of appropriations to the State Planning Commission, State Construction Commission, the Ministry of Finance and the People's Construction Bank. It stipulates that, as from 1981, enterprises which have independent accounting and are capable of repaying debts should adopt the system of procuring bank loans for capital construction instead of receiving appropriations. The advantages are that enterprises not qualified for loans will not receive them while repayment of loans plus accrued interest payable at a set date will encourage enterprises to use capital more effectively.

While expounding on the circulation of asset capital, Marx strongly emphasized the continuity, coexistence and proportional nature of the movement of monetary capital, production capital and commodity capital. In order to fully develop the role played by the surplus value of capital, the movement of capital must be continuous without any stops. That is to say, when a part of the production

capital is being turned into commodity capital and a part of the monetary capital is being turned into production capital, a part of the commodity capital will be being turned into monetary capital simultaneously. Having the three states of capital being formed simultaneously is a prerequisite for the continuous movement of capital. Moreover, the three parts of capital are divided according to a fixed ratio. From the standpoint of the internal conditions of an enterprise, the entrepreneurs, based on years of management experience, can divide the total capital into three parts according to the most appropriate ratio, thus allowing capital to move unimpeded. Generally, for a given amount of capital, the greater the proportion of production capital, the larger the scale of the enterprise and the more products turned out, provided the unimpeded movement of capital is guaranteed. We should attach great importance to this question while we are organizing socialist production and circulation.

## II

This cycle of capital is repeated time and again, thus forming capital turnover. In his theory of the capital cycle, Marx emphasized the effects of the speed of capital cycles on capitalist production, especially those on the production with surplus value. The key word is "speed." The faster the capital cycle, the more products produced and the more surplus value created. This theory is of great significance for the work of organizing socialist economic construction.

The time taken for capital turnover is determined by the time taken for production and circulation. The production time of capital includes the storage time of the means of production, the time taken for labor and the time taken by interruption of the laboring process owing to the role of natural forces. The circulation time of capital includes the purchasing and marketing time.

Each socialist enterprise is dutybound to reduce its production time and produce at a faster speed so as to satisfy the needs of social production and the people's livelihood. The time taken for labor, which is the most important element of the production time, is the period of time during which workers directly apply the means of labor to the objects of labor. The more skillful the workers, the more sophisticated the production tools and the better the quality of the raw materials and materials, the more advanced the technology used in the work process, the more logically labor is coordinated, the shorter the labor time taken to produce goods. The shortening of the labor time has great significance for the development of the socialist economy. The longer the labor time, the longer both the material factor and the human factor will be involved in the production process, and thus fewer products can be turned out. If less time is taken for labor, both the means of production and the labor force will be quickly transformed into products, and thus more goods will be produced within a given time to satisfy both the needs of social production and the needs of the people.

The length of time taken by labor also affects the amount of capital required. If labor time is short, capital renewal is fast and a smaller amount of capital is required to produce a given quantity of goods. If labor time is long, capital renewal is slow, and a greater amount of capital is required to produce a given quantity of goods. Marx said, "In one situation (referring to a short labor

time--annotator), capital renewal is fast, thus it can be utilized over and over again in the business. In another situation (referring to a long labor time--annotator), capital renewal is rather slow, thus before it is renewed, new capital has to be continuously added to the original capital." (Ibid., p 260) Obviously, in a socialist economy, speeding up capital turnover can save money and achieve more.

In the capitalist economic system, the most important element in the circulation time is marketing. The reason being that difficulties often arise in marketing the finished products. It seems that, under our socialist economic system, marketing is no longer difficult, but this is not true. Incidents such as the stockpiling of commodities in warehouses or shops, variable quality and spoiled goods often occur. The causes of such incidents are many. For instance, goods produced are unmarketable, supply is not planned, market research is not conducted promptly, and thus product design and production techniques remain unimproved. Moreover, there are other causes, such as following old customs, muddling along and knowing full well there are huge surpluses of certain products, but because of strict and moribund planning policies, production of such items continues to grow. Besides this, in commodity circulation there is a tendency to be reluctant to sell. Those products of which there is a great shortage are often withheld from consumers, yet they are not properly stored. Naturally, appropriate storing of goods is necessary, but they should not be stored in excessive amounts, which not only affects production but also affects people's livelihood. Furthermore, it slows down the capital cycle, which is bad for society, the enterprise and the consumer.

While expounding on the speed of the capital cycle, Marx put forward an important assumption concerning the future communist society. That is, "society must work out in advance how much labor and the amount of the means of production and the means of livelihood that can be used by industrial departments without suffering any losses. These departments... will not turn out any means of production nor any means of livelihood for a comparatively long time, say 1 year or more, but will take additional labor, means of production and means of livelihood away from annual total production." (Ibid., p 350) With regard to our country's investment in capital construction, although the large-scale enterprises of some departments will not be able to produce anything within 1 year or a number of years, they continuously consume a great amount of social labor and draw on additional means of production and means of livelihood. Thus, only after many years have elapsed can they formally start turning out products or produce results. Therefore, in an economy under a system of public ownership, society may and must carefully consider and calculate how much manpower, materials and financial resources can be spared and then decide on the scale of capital construction. Otherwise, social production and people's livelihood can easily be affected.

the people's lives. Therefore, it is necessary to consider the people's lives and the state's financial resources when making decisions on capital construction.

Finally, the better, the more the people's lives are improved, the more the state's financial resources are increased, and the more the people's lives are improved, the more the state's financial resources are increased.

capital construction projects. In the long run, these projects will become the material and technological base of our modern industry. Thus, we must manage these projects well. However, the rate of accumulation will not be high while the level of social productivity will still be low. As the rate of accumulation has already been fixed, the more we invest in capital construction involving projects that will not turn out any products or produce any results for 1 year or more, the less money we will have for capital construction involving projects that will be able to turn out products or produce results. We must decide on the scale of the former so that the latter will not be affected, and so that neither production nor the people's livelihood will be affected. With regard to the scale and the number of capital construction projects, we should do what we are capable of doing. Only when we act according to our capability can we exert our efforts to the utmost. We should not just publicize that we are exerting our efforts to the utmost while overlooking the existing conditions and acting rashly according to our own subjective thinking.

### III

The third part examines the reproduction and the circulation of the sum total of social capital, which is of particular importance for charting our country's economic construction. The capitalist economy can only achieve socialization of production in the aspect of the productive forces, while in the aspect of production relationships, owing to the system of private ownership, all departments and enterprises are in a state of dispersion. On the other hand, the socialist economy has basically been formed into a unified organic entity (naturally, there are still differences between the two forms of public ownership system, and certain private economic sectors are still in existence) in the aspects of the productive forces and production relationships. Therefore, it is not only necessary but also possible to develop our national economy by planning and in proportion.

In a capitalist society, the sum total of social capital is the sum total of all the mutually related and mutually conditioned single units of capital. The movement of the sum total of social capital is caused by all the single units of capital circulating in a mutually related and mutually conditioned manner. For instance, the transformation of a certain single unit of capital from a monetary state to a production state overlaps with that of another single unit of capital from a commodity state to a monetary state. A manufacturer of spinning machines sells his machines to the owner of a spinning mill. The transformation from commodity capital into monetary capital of the former and that from money capital into production capital (spinning machines) of the latter occur simultaneously. Theoretically, mutual relativity and overlapping require a certain ratio between each department, thus enabling all departments to possess the means of production, all the workers and capitalists to have the means of consumption and the national economy to be in harmony. Therefore, the key question in the third part is "harmony." Marx divided the whole of social production into two major categories, each subdivided into a number of minor categories, in order to explain that social production must be carried out according to proportion. However, under the capitalist private ownership system, the reproduction and the circulation of the sum total of social capital can only be aimless, and obstacles or crises arise often because the normal proportions are destroyed.



After the socialist public ownership system has been set up, the necessity for planning production and circulation is brought up. At present, our socialist economy is a commodity economy. We cannot overlook this objective reality. Moreover, the socialist economy is also a planned economy, which is required by objective economic law. It is exactly because of this that Marx' study of the theories of the capitalist commodity economy concerning reproduction and circulation of the sum total of social capital is of great significance, in providing us with an example, as well as guiding us, for our country's economic construction. The cardinal task confronting the planning organs is to insure that our national economy develops with planning and according to proportion while avoiding, as much as possible, the occurrence of disproportion in the economy and the destruction of the proper relationship between production and circulation and between production and consumption.

For many years, our country's economic construction has been inundated with "leftist" thinking, which regarded it as all right to have loopholes in formulating plans, and as all right to set high targets which exceed the limitations of material, financial and manpower resources. It seemed that in this way the national economy could be developed at a high speed. This interpretation is counter to Marx' theories on reproduction. If the additional amount of the means of production, the means of consumption and labor force required for expanding reproduction is, say 100, and the scale of production is forcibly expanded to 120, then the additional 20, determined by one's subjective view, would not be guaranteed. The result would be that either capital construction projects would be delayed--the original enterprise could even be made to operate below capacity--owing to a shortage of raw materials or it would be forced to reduce the amount of the means of consumption (those that can be transformed into the means of production), thus causing difficulties in people's livelihood. Furthermore, it is also possible to impede the normal movement of production owing to a shortage of skilled labor. All these results stem from "haste makes waste," thus causing even greater economic imbalances. According to Marx' laws of social reproduction, in drawing up plans we should not allow any loopholes; on the contrary, we should give ourselves some room for dealing with any contingency arising from production and the people's livelihood.

Some people lump loopholes in planning together with positive equilibrium, mistaking these loopholes for the positive equilibrium in planning. This kind of thinking is wrong. We oppose maintaining loopholes, we favor positive equilibrium. In his theories on reproduction, Marx considered that reproduction includes both extension and intension. In addition to setting up new industrial and mining enterprises, other important aspects of reproduction by extension include: increasing productivity, tapping potentials in existing enterprises, and carrying out renovation and restructuring. It is mentioned in many places in "Das Kapital" that capital possesses elasticity. A given amount of capital can either expand or contract during the course of its application. What is involved here includes: whether the means of labor and means of production are being effectively used; whether natural resources are being adequately tapped and natural forces utilized; whether the labor force, especially skilled labor, is being logically organized; and whether the capital turnover time (including production time and circulation time) is being vigorously reduced. Marx said

that capital laid out in advance "has production potential after it has been transformed into production capital. The limit of this potential is not determined by the value of the capital advanced. Within a given sphere of activities, it produces effects according to different degrees of extension and intension." (Ibid., p 395) We should fully tap production potentials while aiming at the positive equilibrium of the national economy.

In studying the theories of capitalist reproduction, we should also take note of the tendency of "production for the sake of production" and "accumulation for the sake of accumulation" found in capitalist reproduction by extension. This tendency is directly related to profit-seeking production, which is the objective of capitalism. In the eyes of capitalists, the private consumption of a worker has disappeared. However, production and consumption basically cannot be separated from private consumption. The former is conditioned by the latter. This law is shown by the cyclical economic crises found in capitalist economic development. Marx pointed out that the production of products in the capitalist economy is "restricted by the ratio between various production departments as well as by social consumption power." ("Collected Works of Marx and Engels," Vol XXV, p 272) The unmarketability of products is indeed caused by the upsetting of the production ratio. However, a more important cause is that while capitalist production tends to expand on an unlimited scale, the workers' effective demand is inadequate, thus creating comparative surpluses of products and economic crises. The objective of socialist production is to satisfy the ever increasing material and cultural needs of the laboring masses. Therefore, while we are planning reproduction, we must see that the maintenance and raising of people's livelihood is kept in perspective, placed in our heart and taken as our first priority. We should take the development of production as the basis on which to improve our people's livelihood step by step.

The social objective of production is determined by the economic system. The direct objective of capitalist production is to make a profit. Questions such as which departments capital should be channeled into, what to produce and how much to produce are determined by the rate of profit. On the other hand, the social objective of socialist production is to satisfy people's needs. In drawing up plans and determining investment projects, our planning organs should place the maintenance and raising of the people's present as well as future livelihood as our top priority. Furthermore, bearing this top priority in mind, we will plan and organize the equilibrium of our national economy and set out to determine the correct proportions between the production of the means of production and the production of the means of consumption, between accumulation and consumption, with regard to the relations between agriculture, light industry and heavy industry, thus enabling our socialist national economy to develop with planning. This is a perpetual and important glorious task confronting every worker in the economic field.

To sum up, the study of Volume II of "Das Kapital" relates to many of our questions arising from the practice of the socialist economy. First, the movement of capital relates to the need for us to enliven the socialist economy; second, the importance of the speed of capital movement relates to the need to speed up socialist production and circulation; last, the destruction of proportional relations caused by blind movement of capital relates to the need for planning and properly arranging the ratios between each sector, thus insuring a harmonious and healthy development of our socialist national economy.

## CAPITALISM IS IN ITS OLD AGE AFTER ALL

Beijing RED FLAG in Chinese No 3, 1 Feb 81 pp 45-48

[Article by Shi Jin [4258 6855]]

[Text] During a certain period following its emergence, capitalism demonstrated a superiority that did not exist under the feudal system. The capitalist system was then full of vigor and promoted the development of the productive forces in a big way.

But capitalism is a social system that is also based on private ownership and, ever since its emergence, it has been coupled with the innate and insuperable contradiction between socialized production and capitalist private ownership of the means of production. This contradiction has pushed capitalism to change and develop in the course of its life. By the late 19th and early 20th centuries, laissez-faire capitalism had completed its transformation into monopoly capitalism, and since then capitalism has begun to enter into its old age. The basic contradictions of capitalism have become much more acute, while its relations of production are no longer in accordance with the need for the development of the productive forces. During the 1930's, a serious and unprecedented economic crisis erupted that shook the world, and this crisis showed that the acuteness of the basic contradictions had reached an unprecedented stage. As a result of this crisis, the industrial production of capitalist countries retrogressed 20 to 30 years, millions of workers lost their jobs and were stricken with hunger. A number of people representing the bourgeoisie lost their confidence in the capitalist system and were terror-stricken and thought their doomsday was approaching.

But capitalism experienced a new development after World War II. During a certain period after the war, the production of some major capitalist countries grew considerably and people's life improved. The bourgeoisie was then radiant with pleasure as they thought that they had found a prescription for the eternal prosperity of capitalism. Some people who were not aware of reality also began to have doubts about many aspects as they believed that capitalism seemed to have really taken a turn for the better.

How should we treat this phenomenon?

Historically speaking, the social productive forces will always develop at a faster pace. In the modern age in particular, science and technology play a

greater and even vital role in developing the productive forces. Owing to the foundation that was prepared during a long period prior to the war, with the impetus of the war and the contention of monopoly capitalism, there appeared after the war an unprecedented scientific and technological revolution, changing the whole economic structure of the capitalist world and improving production technology and management.

It is the historical process of capitalism to become decadent and to fall into a decline. During this process, the capitalist relations of production no longer accord with the development of the modern productive forces, but they are not stagnant. Monopoly capitalism was given a new lease of life following World War II, and such progress was mainly shown in the transformation of monopoly organizations into multinational companies while ordinary monopoly capitalism turned into state monopoly capitalism. As a result of these changes, the socialization of production developed to a higher stage within the sphere of the capitalist pattern of production. During a certain period and to a certain degree, this development provided new possibilities for the development of the productive forces.

The mutual relations among various capitalist countries after the war were different from what they had been in the past. The United States of America became the leader of the capitalist world. With its tremendous economic power, the United States formed a monetary system of the capitalist world with the U.S. dollar at its center. During a certain period after the war, the United States tried to control the whole capitalist world. Other capitalist countries, on the other hand, relied on the United States and were under the protection of U.S. military power. These countries also obtained funds, modern technology and management experience from the United States. In particular, Japan and West Germany, which had a considerable industrial and technological foundation with cheap, ample and skilled laborers, experienced a faster development by effectively making use of U.S. funds and technology to readjust and reform their economies in a big way.

After the war, the system of colonialism collapsed, with colonial, and semi-colonial countries and dependencies achieving political independence. But most of these countries still remained within the capitalist world system. Advanced capitalist countries are still in a position to resort to various means, and particularly through multinational companies, to exploit, plunder and control these countries, make tremendous profits, and secure the long-term supply of oil and other important raw materials at low prices.

It is under these conditions that advanced capitalist countries achieved rapid economic growth after World War II.

But even during the so-called "golden age" after the war, capitalism was not able to avoid blows from economic crises, which have been happening even more frequently. The United States of America was hit by economic crises 7 times in 30 years. Other capitalist countries are also subject to frequent crises and turbulence. In 1974-1975, the whole capitalist world was hit by the most serious and deep economic crisis since the war. As a result, U.S. industrial production



dropped by 13.8 percent, Japan by 20.8 percent, West Germany by 12.3 percent, Britain by 12 percent and France by 14.1 percent. Recently, another worldwide economic crisis occurred, and it began in the United States.

It is worth pointing out here that following the rapid development of capitalism, its contradictions are rapidly accumulating and becoming more acute. By the 1970's, and particularly after the 1974-1975 economic crisis, these contradictions had become even more apparent and this resulted in the end of the "golden age." Since that time, capitalism has entered a particularly difficult period that has been termed by Western economists as "stagflation" (that is, stagnant production and serious unemployment combined with an unprecedented scale of inflation). Inflation and rises in prices have become uncontrollable and have been followed by slow economic growth, a rapid drop in the growth of labor productivity, a big surplus in production capacity, ever expanding current unemployment, a serious fuel crisis and an unstable international money market. Faced with such a difficult situation, many people in the Western world have become worried and depressed.

As early as a century ago, Marx and Engels clearly exposed the "alienation" of the laborers under the capitalist system. They said that the laborers did not belong to themselves but to others, that they were not able to master their own destiny, which, on the contrary, was controlled by others or certain foreign powers. "In religion, the spontaneity of people's illusions, brains and souls act involuntarily on individuals. That is to say, as certain alien activities, the activities of gods and demons act on individuals. Similarly, the activities of a laborer are not the activities of his ego; they belong to others and represent the loss of his ego." (Marx: "Draft on Economics-Philosophy in 1844," p 48) In capitalist society "people are not only subject to the control of certain alien powers but are also subject to control of the economic relations and means of production that are created by themselves.... The situation is the same now: it is up to people to find their careers but they depend on God to succeed (that is the alien force that controls the capitalist mode of production)." (Engels: "Anti-Duhring," "Selected Works of Marx and Engels," Vol 3, p 355) Today it is true that the social wealth of capitalism has increased tremendously, but the alienation of laboring people has been deepened and the souls of workers have been poisoned by the bourgeoisie. As a result, the capitalist society is full of degeneration, pessimism and depression. Many people are devoid of spirit and hopeless, and they lack aspirations. Consequently, shocking criminal activities and other abnormal phenomena have been occurring. These are all manifestations of a decadent and moribund society.

People might ask: Since the capitalist system has become decadent, why have many developing countries still taken the capitalist road of development and why have some of these countries made rapid development? Is not the capitalist system of these countries also decadent?

Everybody knows that capitalist development always oversteps the boundaries between countries. Imperialism is a worldwide system of exploitation, and most of the developing countries formerly belonged to this system. Following the strengthening of international monopoly and internationalization of capital after

the war, the expansion and infiltration of monopoly capital into backward regions and countries in the world has been intensified, and this has played a big role in many developing countries that are taking the capitalist road. In many developing countries, the process of the development of capitalism is also the process of the collapse and gradual shrinking of the capitalist mode of production. Therefore, to a certain extent, such a process promotes the development of the productive forces. Since the 1960's in particular, some developing countries have resorted to more correct principles for promoting their national economy and have made full use of their beneficial conditions such as rich natural resources and cheap labor force to develop their economy rapidly.

But we must understand that, because many of the developing countries still belong to the economic system of the old capitalist world, with the development of the internationalization of capital, the exploitation of these countries has consequently been strengthened. Under the exploitation and plunder by imperialism and the superpowers in particular, the national economy of these countries has been ruined. As of now, most of these countries remain in an extremely poor and backward state. These countries, in general, have some processing industries to supply raw materials and foodstuffs to imperialist countries. But the basic industry of these countries is very weak and some do not even have a basic industry. The population of the developing countries makes up 70 percent of the world's total population, but the gross industrial output value of these countries only accounts for 8 percent. In addition, their agriculture is no better than their industry. These developing countries annually exported over 20 million tons of grain before the war, but now they have to import several tens of millions of tons a year. With regard to international revenues and expenditures, many of these countries have heavy foreign debts, which tend to increase. Owing to the low production level and double exploitation by foreign monopoly capital and the bourgeoisie of the developing countries themselves, the laboring people of these countries lead an extremely poor life. For example, newspapers in India have reported that almost half of the total population in India is below the poverty line.

There are also no grounds for optimism with regard to the economic prospects of the developing countries that have achieved faster economic growth. As the economic development of these countries is inseparable from international monopoly capital, these countries can in no way avoid the various contradictions of the capitalist system, and they rely to a varying extent on foreign capital and the international market. For example, imports of foreign capital by Argentina have helped develop the economy of this country, but, as a consequence, it is under the strict control of foreign monopoly capital. In the mid-1970's, 100 percent of the production of tractors and synthetic fibers, 90 percent of vehicle and machine tool production, 85 percent of rubber production, 50 percent of cement production and 70 percent of electronic production in Argentina were under the control of foreign capital. Brazil, which has achieved a so-called "economic miracle" of rapid economic growth for 10 consecutive years following enormous imports of foreign capital, is now bogged down in foreign debts. The interest it has to pay every year is as much as 40 to 50 percent of its export revenues. Because these countries have heavily relied on foreign monopoly capital, they are inevitably affected by capitalist economic crises, inflation, price rises in the

capitalist world and never-ending wars in trading, finance and tariffs. And in these countries it is the broad masses of laborers that are first of all subject to exploitation by local and foreign capital. The income of these laborers might increase and their lives might improve during a certain period. Nevertheless, their situation is much more difficult than that of the workers in advanced capitalist countries.

After several hundred years of development, and particularly after the rapid development in the 30 years following the war, capitalism has created a highly developed material civilization and raised the productive forces and science and technology to a very high level. But, at the same time, it has also intensified the basic contradictions of capitalist society. They are the contradictions between socialized production and capitalist private ownership. In order to ease these contradictions, the monopoly bourgeoisie has readjusted the capitalist relations of production mainly in the following two aspects: first, it has strengthened state involvement in the economy and developed state monopoly capitalism; second, it has promoted the internationalization of capital and set up international monopoly. But it is exactly these measures that have made the basic contradictions even more acute.

In the 1930's, the capitalist world was hit by an unprecedentedly serious crisis and since then various capitalist countries have used the Keynesian theory to deal with economic crises. Thus, state involvement in economic life has been strengthened to rapidly develop state monopoly capitalism. The strengthening of state involvement in the economy (such as developing the state-owned economy, increasing government investments, and strengthening the state role in finance, planning, wages and prices) undoubtedly plays its role in easing economic crises for a certain period; but it has also considerably strengthened the socialization of production so as to intensify the basic contradictions within capitalism. The present situation of "stagflation" in the economy of the capitalist world is a result of the above-mentioned economic measures taken by bourgeois countries. These facts show the bankruptcy of Keynesianism. They show that the development of state monopoly capitalism cannot solve the innate contradictions of capitalism; on the contrary, it can only develop these contradictions so as to bring more serious crises to capitalism.

Further expansion to other countries is an important factor for the economic development of imperialist countries. Following the internationalization of capital and the rapid development of international monopoly after the war, the international exploitation by monopoly capital has been strengthened and enormous profits from abroad have given imperialist countries an incentive to develop their economies. But with the strengthening of international monopoly and the rapid growth of multinational companies, not only has the exploitation and oppression of the developing countries been intensified, but also the competition among them in the world has been unprecedentedly intensified. As a result, the economic and struggles among imperialist countries and between these countries and the developing countries have become more acute, and these contradictions have laid a solid basis for the system of economic relations in the capitalist world and have led to worldwide cyclical crises that are mingled with other crises in the world economy (energy crises, raw material crises and

crises). As a result, capitalist economic crises have become broader and deeper. At present, the economic "stagflation" and crises of the capitalist world have become too serious to be overcome, and an important reason for this situation is that they are beyond the control of some governments in capitalist countries.

Facts have proven that the innate contradictions of the mode of capitalist production cannot be solved from within. It is a historical necessity to replace capitalism with socialism. Facts will prove in the future that the more capitalism progresses, the riper will be the conditions for its transition to socialism. It is apparent that state monopoly capitalism is nearer to the gate of socialism than was the general monopoly capitalism prior to the emergence of imperialism.

This pointed out as early as the stage when capitalist laissez-faire competition was developing into the early stage of monopoly that monopoly capitalism "has apparent features for some transitions." ("Selected Works of Lenin," Vol 2, p. 112) During the stage of monopoly capitalism, "the features for the transitional period have been completely formed and exposed." (Ibid., p. 807) These features have become even more prominent following the development of state monopoly capitalism after the war. These phenomena mainly include: the separation of possession of capital from the use of capital has reached so high a degree that capitalists do not and can no longer directly manage production, and they have consequently become superfluous; bourgeois countries possess more means of production and have invested enormously. This shows that the possession of the means of production by individual capitalists has become more and more at odds with the need for the development of the productive forces; socialization of production demands more planning, and this shows that it has become more and more difficult for the innate anarchy in the social production of capitalism to continue to exist; as science and technology develop, they become more and more socialized, and they are becoming the undertaking of the whole society; the socialization of the labor force is also becoming more and more socialized and, therefore, the training of laborers so as to suit them to the needs of modern production and equip them with specialized knowledge and skills can only be carried out under the condition of complete socialization; and more and more workers are taking part in the management of enterprises and this will mean changes in their position.

However, all these phenomena still have the nature of capitalism. Therefore, we can in no way consider that with the development of these phenomena capitalism will naturally "grow into" socialism. But such a development is a sign of the orientation and the end result of the development of capitalism, and no matter whether the bourgeoisie is aware and willing, it will further create the conditions for the realization of socialism. The development of these phenomena leads us to believe that capitalism certainly cannot exist forever and that it will eventually be replaced by socialism. No matter how the bourgeoisie act to defend the existence of capitalism, they will only make capitalism even more decadent and its contradictions even more acute. The proletariat and the masses of people will eventually rise up and resort to revolutionary measures to overthrow the rule of the bourgeoisie and realize socialism.



## IT IS NECESSARY TO BEGIN WITH THE LEADERSHIP

Beijing RED FLAG in Chinese No 3, 1 Feb 81 p 49

[Ideological random talk by Mu Zhaoming [4476 3564 2494]]

[Text] Now everyone is talking about resolutely getting rid of unhealthy practices! But, where should we start? People's answers differ greatly. For example, when the masses complain about bureaucracy, privileged treatment, and the pursuit of an object by dishonest means on the part of certain leading cadres, some leading comrades answer with conviction: "At the very mention of unhealthy practices, you always have the leadership in mind. You must first examine yourself! You must first set a personal example!" Also, some leading cadres are seriously affected by unhealthy practices. When the masses report on them and the higher authorities start an investigation, they go through the motions of examining themselves. They end up saying: "Let's begin now." "There will be no repetition of it." It can be seen that the slogans, "Let's begin now" or "Set a personal example" have been distorted by some people. It seems that in correcting unhealthy practices, we must add the slogan: "Let the leadership lead the way by setting personal examples."

True, those guilty of unhealthy practices are not only a small number of leading cadres but general cadres and ordinary people. Unhealthy practices among general cadres and the people must also be resolutely corrected. However, unhealthy practices among the masses, except for serious cases, do not produce the same effect as not-so-serious cases concerning leading cadres. Unhealthy practices among leading cadres have a far greater and far worse impact. Moreover, unhealthy practices among individual leading cadres assume quite serious proportions. "If the upper beam is not straight, the lower one will be slanted," as a Chinese saying goes. The unhealthy practices of ordinary cadres and people are always related to the unhealthy practices of leading cadres. Some people lapse into unhealthy practices because of the bad example set by their superiors. To please the leadership, some people try by every means to help their leaders get what they want. If their leaders have something to gain, they themselves also benefit. If the leading cadres are open and aboveboard and refuse to be compromised in any way, they will have the courage to play fair and square and set things right where there are any dishonest practices occurring. Some unhealthy practices can thus be checked or overcome. Therefore, to fight unhealthy practices, we must let the leading cadres lead the way. Up and down, people at all levels must have a sense of

responsibility. The higher level must set an example for the lower one. One level must watch over another.

To fight the unhealthy practices among leading cadres, we must give full play to the supervisory role of the masses and their role in forming public opinion. Now the unhealthy practices of certain leading cadres can be openly exposed and criticized in newspapers and through broadcasts. This is what the people want and cherish. It plays a substantial role in upholding healthy practices and getting rid of unhealthy ones. From newspapers and broadcasts, the masses get the feeling that the party's fine work style is being restored, thus strengthening their confidence and determination in achieving the four modernizations under the leadership of the party. However, some people are greatly worried about criticism. They are afraid that this might tarnish the party's reputation. Such worries are uncalled for. After all, which harms the party's reputation--the criticism of unhealthy practices or the promotion of unhealthy practices? The answer is obvious. Our aim in making criticism is to correct ourselves. If we correct ourselves quickly and properly, we can only win praise for it. The party's prestige will not suffer. Instead, the masses of people will support and hail it.

The party discipline inspection commissions at all levels must adhere to principle and be "upright officials." No matter who, no matter what meritorious services rendered in the past and no matter how high his present rank, anyone who follows unhealthy practices and runs afoul of the law, particularly since the promulgation of the "Guiding Principles for Inner-Party Political Life," must be resolutely investigated and severely punished. The party organization must give full play to its role of supervising cadres. Problems that should be taken care of by an organization at a given level must be regarded as its responsibility. If it passes the buck and lets a problem slide, this is dereliction of duty. It must be held responsible for it. Of course, the great majority of cadres are good or relatively good. Unhealthy practices can also be overcome. We must base ourselves on education, assume a down-to-earth and friendly attitude, learn from past mistakes, and cure the sickness to save the patient. In no way can we put one to death with one swing of the club. Nor can we allow those followers of unhealthy practices to trade "a moment of criticism" for "a life of comfort." Now some areas even pay no attention to those problems that have arisen since the promulgation of the "Guiding Principles," writing them off as a case of "letting bygones be bygones." This is not right. It must be noted that such an approach is not a show of love for cadres but an act of indulging them. It will only spell ruin for the cadres and dampen the masses' enthusiasm in launching the four modernizations.

If we stress the need for the leadership to first set a personal example, does this mean that, like Lin Biao and Jiang Qing, we want to hurt the old cadres? No. Lin Biao and Jiang Qing hurt the old cadres because they wanted to break the spine of the party and paralyze it, so that they could usurp party and state power. We advocate letting the leadership lead the way in order to more quickly restore and carry forward the party's fine work style. Thus, we can do a better job of leading the people of the whole country in the joint effort toward the

goal of modernization. There is a great difference between the two matters. Worries are uncalled for.

In short, starting with the leadership is the key to the elimination of unhealthy practices. We must keep a firm grip on the key issue, make a great resolution, exert a great amount of effort, and strive to achieve the quickest possible results.

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